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ABSTRACT

The definition of the independent college student is discussed in hearings that are part of the reauthorization of the Higher Education Act. The importance of the definition has increased as the amount of federal dollars for student aid programs has declined or remained constant and the number of students requiring aid has increased. The current definition has three main components: the student has not lived with his or her parents for more than 6 weeks; the student has not and will not receive more than $750 support from the parent in the current year; and the parents have not claimed the student as an income tax exemption on their last income tax form. Attention is directed to the following concerns: whether there are major abuses by students claiming to be independent, the types of student who change their status from dependent to independent, and the cost implications for the federal government in students claiming independent status. Supplementary materials include: a College Board report by Alan P. Wagner and Nancy Carlson, "Financial Aid for Self-Supporting Students: Defining Independence;" and a report by Steven D. Cameron of the Illinois State Scholarship Commission, "The ED Independent Student Definition: An ISSC Analysis and Recommendation." (SW)

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HEARING ON INDEPENDENT STUDENT STATUS

ED246762

HEARING

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-EIGHTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, D.C., ON OCTOBER 27, 1983

Printed for the use of the Committee on Education and Labor

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HEARING ON INDEPENDENT STUDENT STATUS

THURSDAY, OCTOBER 27, 1983

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met, pursuant to call, at 9:45 a.m., in room 2257, Rayburn House Office Building, Hon. Paul Simon (chairman of the subcommittee) presiding.

Members present: Representatives Simon, Kogovsek, Harrison, Penny, Packard, Gunderson, and Petri.

Staff present: William A. Blakey, counsel and staff director; Maryln McAdam, legislative assistant; and Betsy Brand, Republican legislative associate.

Mr. SIMON. The subcommittee will come to order. We are continuing our hearings preparing for reauthorization of the Higher Education Act. This morning's hearing is the independent student definition.

The status of the independent student has received considerable attention during the 1982-83 school year because of a proposal by the Department of Education to change the current definition. The main thrust of the Department's proposal was to require a student to be 22 years of age or older to be considered eligible for independent status.

Discussion of the definition of the independent student has existed for more than a decade. The importance of the definition has increased as the amount of Federal dollars for student aid programs has declined or remained constant and the number of students requiring aid has increased.

The current definition has three main components. No. 1, the student has not lived with the parents for more than 6 weeks; No. 2, the student has not and will not receive more than $750 support from the parent in the current year; and, three, the parents have not claimed the student as an income tax exemption on their last income tax form.

While there are anecdotal horror stories and myriad opinions circulating on independent students, none of these should form a basis for Federal policymaking. Our purpose today is to learn the facts about independent students. Among the questions we will ask are these: Are there major abuses by students claiming to be independent who, in fact, are not? Two, what types of student change their status from dependent to independent? And three, what are the cost implications for the Federal Government in students claiming independent status?

Finally, the subcommittee is particularly interested in hearing if there is an indication in the existing data that current definition should be altered, and if so, are there existing alternative definitions that should be explored?

Our witnesses will be taken as a panel here and they are Linda Berkshire, staff director, National Coalition on Student Financial Assistance; Larry Gladieux, the College Board, accompanied by Dr. Alan Wagner; Keith Jepsen, Illinois State Scholarship Commission; and Gary Smith, deputy for grants, Pennsylvania Higher Education Assistance Authority.

If they will take the stand, at the same time I will call on my colleagues to see if they have anything to add in the way of opening statements before we hear from the witnesses.

Mr. Harrison.

Mr. HARRISON. Thank you, Mr. Chairman. I just really want to apologize because I will not be able to stay and listen to the testimony. I have a long-scheduled meeting for 10, but I had the opportunity to meet with a number of these folks yesterday and I think we had a very good discussion and I think you are in for a stimulating and informative hearing this morning.

Mr. SIMON. We thank you.

Mr. Packard, do you have anything in the way of an opening statement?

Mr. PACKARD. I have none, Mr. Chairman. I am just pleased to be able to hear this item. I will be pleased to hear from the witnesses that have been called.

Mr. SIMON. Good.

[Opening statement of Chairman Simon follows:]

OPENING STATEMENT OF HON. PAUL SIMON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS, AND CHAIRMAN, SUBCOMMITTEE ON POSTSECONDARY EDUCATION

Good morning. Today we are continuing our hearings for reauthorization of the Higher Education Act. The focus of this morning's hearing is the independent student definition. The status of independent students received considerable attention during the 1982-83 school year because of a proposal by the Department of Education to change the current definition. The main trust of the Department's proposal was to require a student to be 22 years of age or older to be considered eligible for independent status.

Discussion on the definition of independent students has existed for more than a decade. The importance of the definition has increased as the amount of Federal dollars for student aid programs has declined or remained constant, and the number of students requiring aid has increased. The current definition has three main components:

The student has not lived with the parents for more than 6 weeks (42 days);

The student has not and will not receive more than $750 support from the parent in the current year; and

The parents have not claimed the student as an income tax exemption on their last income tax form.

While there are numerous anecdotal "horror stories" and myriad opinions circulating on independent students, none of these should form a basis for Federal policymaking. Our purpose today is to learn the facts about independent students.

Are there major abuses of the definition by students claiming to be independent who are not?

What types of students change their dependency status to independent? and

What are the cost implications for the Federal Government in students claiming independent status?

Finally, the subcommittee is particularly interested in hearing if there is a basis in existing data to indicate that the current definition should be altered, and if so, are there existing alternative definitions that should be explored.

Our witnesses today are Linda Berkshire, staff director of the Coalition on Student Financial Assistance, Lawrence Gladieux, executive director, the College Board, Keith Jepsen of the Illinois State Scholarship Commission, and Gary Smith of the Pennsylvania Higher Education Assistance Authority. We welcome you all.

Mr. SIMON. Linda Berkshire, the staff director of the National Coalition on Student Financial Assistance.

We are pleased to have you here.

Ms. BERKSHIRE. Thank you, Mr. Chairman. I apologize somewhat for the references in the testimony. Our Chairman, Francis Keppel, who I know you know, Mr. Chairman, and several of the subcommittee members also know, was scheduled to testify on benalf of the coalition and was unable to make the change in hearing schedule.

Our testimony is a little bit lengthy to read straight off so if you will bear with me——

Mr. SIMON. We will enter your full statement in the record and we will do the same for the others. If you would care to summarize it, that would be fine.

[Prepared statement of Francis Keppel follows:]

PREPARED STATEMENT OF FRANCIS KEPPEL, CHAIRMAN, NATIONAL STUDENT AID COALITION

Mr. Chairman and members of the subcommittee, I thank you for the opportunity to appear before you today to speak about participation of the independent, self-supporting student in Federal student assistance programs.

I was invited to testify today in my capacity as chairman of the National Student Aid Coalition. The Coalition consists of 35 national organizations and associations with an interest in student financial aid programs and policies, and four public members. The Coalition is a voluntary body that provides primarily a mechanism for focusing the perspectives and concerns of a variety of interest groups in identifying issues and helping to coordinate the development of national student aid policies among Federal and state agencies and institutions. We are concerned with such issues as definitions, and student aid public information programs.

I. One of the program "definitions" is the definition that operates in the Federal student aid programs to distinguish self-supporting students from those students dependent on parents for financial support. This aspect of determining eligibility for Federal student aid has been under discussion—at times more heated than at others—on and off, for the past decade.

A similar version of the current three-part definition, a "test" of a student's dependency status, was first instituted for the Pell Grant program in 1973 and was designed to provide the student with the means to demonstrate a history of self-support. This definition incorporated three principles that has evolved separately, in the different Federal aid programs, since 1959:

Information on parental support should be from the year in which aid is received and from the year prior (base year) to the receipt of aid as reflected by Federal income tax returns.

Information should be provided on residence in the parent's home and on.

Significant parental support in money or in kind.

This definition remained unchanged for the basic grant program until 1979 and was adopted for the campus-based programs in 1976.

The basic criteria are essentially the same today as they were in 1973—adjustments have been made to the maximum level of support that may be provided by parents, to the limitation of time of residence with parents, and to the application of the definition to married students as stipulated in the Education Amendments of 1980. (See appendix I.)

The Committee, of course, well aware of the basis of the present system, and its reliance on the concept of family support and contribution, and aware of the various concerns about its operation. I have attached to this testimony as appendix II a brief

account of recent developments as seen by the Coalition in the hope that it might be helpful in the committee's deliberations.

The committee requested information that the Coalition might have on independent status for student financial aid applicants. This testimony is based on data on national student aid programs and recipient data files and other related studies obtained in the last 6 months.

II. The Coalition was particularly interested in information on the rates of participation of independent students in the federal programs, and whether or not these numbers had changed significantly over time in the 18 to 22 year old age group, i.e., "traditional" students in undergraduate coursework for whom parental support has and continues to be generally expected where there is ability to pay.

We posed the following questions: Does the definition of independent status accurately reflect the guiding public policy: to provide assistance only to the extent to which parental resources are unavailable? Does the existing definition allow or encourage public funds to supplant parental contributions for substanital numbers of students?

Let me report what we found:

(1) Changes in College Participation Rates and Student Financial Assistance, 1969, 1974, and 1981

An Applied Systems Institute, Inc. study[1] analyzed the changing characteristics of the independent population over the period of the 1970's. The author cautions that a causal relationship between student financial assistance and participation rates cannot be proven. His results, however, suggest certain relationships between student aid and participation which may be useful in guiding further study or examination of related issues.

The 18 to 24 year old population determined to be independent was:

Independent individuals as a percent of the total population 18–24

	Percent
1969	43.5
1974	48.2
1981	42.5

The percentage of the independent students in college also peaked in 1974.

Percent of enrolled population independent by year

	Percent
1969	11.7
1974	18.9
1981	15.8

The final analysis describes participation rates—i.e., percentage of age group—of the independent population 18–24.

Participation rates of independent students 18–24

	Percent
1969	8.4
1974	10.4
1981	10.4

The census data indicates that the population over 25 in college has increased since 1974. In 1974, older students made up 18 percent of the enrolled population and in 1981 they made up 28 percent of the population. These students were defined as independent in the ASI study.

In summary, the author concludes that there appears to be no significant increase in either the incidence of independence or the participation rates of independent students aged 18–24 since 1974, though there has been an increase in the number of older students enrolling in college.

(2) Data from the Educational Testing Service on California Applicants

In an effort to gain additional information on the effect of a more restrictive "test" of independence, the committee asked the Educational Testing Service to pro-

[1] John Lee of Applied Systems Institute, Inc., supplied the committee with data related to the overall participation rates of independent students in postsecondary education, drawn from a study prepared for the National Commission on Student Finanical Assistance.

vide data from the file of students submitting a student aid application for California; the State of California requires students to respond to questions regarding self-supporting status for the year of application and for an additional three prior years.

Of the 302,498 students who had filed an application as of February 11, 1983, 140,304, or 46 percent, were classified as independent under the current Federal definition. If the definition required an additional prior year of self-support, 13 percent (121,710) are eliminated from the independent group. If 3 prior years of self-support are required, an additional 8 percent are eliminated from consideration as independent, bringing the total eliminated from the original independent group to 21 percent.

(4) Independent Students in the Federal Student Aid Programs

Pell Grants.—In the Pell Grant program, the participation of independent students has increased from 36.9 percent in 1976–77 to 48.3 percent in 1982–83. This percentage growth is largely reflective of changes in the program eligibility criteria, program growth and expansion, and increasing participation by older students. This analysis is born out by figures provided by the Department of Education (attached as appendix III) which show that the percentage of the total of eligible independent Pell applicants under the age of 22 has actualiy declined during that same 7-year period, from 32.1 percent in 1976 to 30 percent in 1982. The table indicates a slight drop in independent eligibles between the ages of 23 and 30 and a growth in the percentage of over 30-year-old eligible independent applicants from 20.1 to 25 percent.

Campus-Based Programs.—Data has been provided by the Department of Education showing the distribution of dollars and recipients in the Federal campus based programs from 1974 through 1982. As a percentage of total recipients, participation by independent students peaked at 27 percent in 1979–80 and has declined since that time. In 1981–82 independent students received 25 percent of the total dollars expended, compared to 21 percent in 1974–75. The full set of comparative data is provided as appendix IV.

(5) Graduate and Professional Students

Data from a study conducted by the Educational Testing Service indicated that there are strong tendencies on the part of parents to reduce support to students attending graduate and professional schools.[1] While 70 percent of college seniors in the study were dependent on parents, only about one-third of the enrolled graduate and professional students were. Of those enrolled graduate and professional students who were considered dependent on their parents, only about one-third received any help from their parents to finance post-baccalaureate costs.

(6) Characteristics of independent students

As appendix V, we have included tables on the characteristics of aid recipients for both dependent and independent students. These statistics are categorized by type of institution attended, age and minority status of recipients, and family income. Separate tables (tables 3 and 4) indicate student expenses and sources of support for both dependent and independent students. The data are drawn from separate surveys of student aid recipients at independent, public and proprietary institutions; the sources of these surveys are listed at the end of appendix V.

III. Mr. Chairman, in your letter you asked specifically whether or not the data available to us suggests that there are "major abuses of the current independent student definition."

First of all, of course, the data we have presented do not lead to quick and easy conclusions. Much of the data lead instead to additional questions that cannot be answered effectively by the current information that is available and that looks at programs, students, profiles and trends on a national basis.

I might add that much of the kind of information one would need to clearly substantiate any claims of abuses of the current independent definition would have to drawn from a longitudinal base—tracking students recipients from year to year. Unfortunately, such a study has not been conducted as far as I know. However, the data available to us do not suggest major abuses of the current definition of independence by students and their families.

[1] Data from Talented and Needy Graduate and Professional Students: A National Survey of People Who Applied for Need-Based Financial Aid To Attend Graduate or Professional School in 1980–81, ETS, April 1982.

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On balance, it does not appear, relatively, that these students constitute a heavier drain on the public purse than a decade ago. The pattern of independent student participation—especially within the Federal programs—appears to have held reasonably steady.

You asked as well, based on our study of the issue, what definition of independent student status we should recommend?

In March of 1982, the Coalition adopted the recommendation of its Committee on Needs Assessment and Delivery that one additional base year be added to the current federal definition of a self-supporting student for undergraduates and that the current federal definition by continued for students who are enrolled in educational programs beyond the first baccalureate degree. As part of this action, the Coalition also noted that:

(1) Differentiation for eligibility for guaranteed student loans should be recognized within the parameters of the needs test, and, further, the Department of Education should promulgate regulations which call for the consideration of parental, rather than family income in needs analysis for dependent students for guaranteed student loans, and

(2) The recommendation is explicit with regard to the maintenance of the current Federal definition for graduate and professional students.

This recommendation received the approval of 21 member organizations present at the meeting, with the exception of the representative of the U.S. Student Association who abstained.

The committee reviewed the position taken by the Coalition again this spring in light of regulations published by the Department of Education proposing major modifications in the existing independent student definition. This is the point at which the committee undertook a review of some of the data presented today and decided to hold to the recommendation that had been advanced and approved the year before.

The definition recommended by the Coalition grew out of long term discussion and debate and out of the desire to achieve a measure of consensus within the group on a very important aspect of student aid policy. It was felt that the recommendation represented an appropriate policy response and modified reasonably the existing definition, specifically taking into consideration:

The need to establish a reasonable and verifiable history of self-sufficiency before an aid applicant can receive funds based on eligibility as an independent student, emphasizing the primary responsibility of the student and his or her family in meeting college costs.

The clear difference in perception in parental and public attitudes about graduate and professional study beyond the baccaluareate degree.

The concern that any alteration to the definition not effect disproportionately any identifiable category of students nor serve arbitrarily to impede student access.

I must emphasize that the Coalition's recommendations should not be taken to mean there is consensus within the financial aid community on this issue.

In view of the additional studies and research conducted since the full Coalition last considered the independent student definition, I would be glad to go back, if the subcommittee would like, and ask the Coalition membership for a review of the situation.

Thank you for the opportunity to present this information.

Appendix I

COMPARISON OF THE DEFINITION OF INDEPENDENCE FOR THE PELL GRANT PROGRAM IN 1973–74 TO THE DEFINITION OF INDEPENDENCE FOR THE PELL GRANT PROGRAM (AND CAMPUS-BASED PROGRAMS) IN 1982–83

1973–74 (Basic (Pell) Grant)	1982–83 (Pell and Campus-Based)
"Independent Student" means a student who	"Independent Student" is a student who is: (a) A single student who for 1981 and 1982—

COMPARISON OF THE DEFINITION OF INDEPENDENCE FOR THE PELL GRANT PROGRAM IN 1973–74 TO THE DEFINITION OF INDEPENDENCE FOR THE PELL GRANT PROGRAM (AND CAMPUS-BASED PROGRAMS) IN 1982–83—Continued

1973–74 (Basic (Pell) Grant)	1982–83 (Pell and Campus-Based)
(1) Has not and will not be claimed as an exemption for Federal income tax purposes by any person except his or her spouse for the calendar year(s) in which aid is received and the calendar year (base year) prior to the academic year for which aid is requested. (2) Has not received and will not receive financial assistance of more than $600 from his or her parent(s) in the calendar year in which aid is received, and the calendar year (base year) prior to the academic year for which aid is requested, and (3) Has not lived or will not live in the home of a parent for more than 2 consecutive weeks during the calendar year in which aid is received and the calendar year (base year) prior to the academic year for which aid is requested.	(1) Has not lived and will not live for more than 6 weeks in each year in the home of the parent(s) for whom income must be reported according to the regulations for the Pell Grant and campus-based programs; (2) Has not been claimed and will not be claimed as a dependent for Federal income tax purposes by the parent(s) for whom income must be reported according to the regulations for the Pell Grant and campus-based programs; and (3) Has not received and will not receive financial assistance for more than $750 in each year from the parent(s) for whom income must be reported according to the regulations for the Pell Grant and campus-based programs; or (b) A married student for 1982— (1) Will not live for more than 6 weeks in the home of the parent(s) for whom income must be reported according to the regulations for the Pell Grant and campus based programs; (2) Will not be claimed as a dependent for Federal income tax purposes by the parent(s) for whom income must be reported according to the regulations for the Pell Grant and campus-based programs; and (3) Will not received financial assistance for more than $750 from the parent(s) for whom income must be reported according to the regulations for the Pell Grant and campus-based programs.

Appendix II

RECENT CONCERNS—A BRIEF PERSPECTIVE

Need-based student aid is provided in a relatively progressive fashion, after it is determined that parents have contributed to the costs of postsecondary education to the extent of their ability. The principle has remained consistent in policies adopted by the Congress for programs of the Federal Government and for the vast majority of aid programs administered by states and institutions.

Indeed, the independent student definition itself is an attempt to assure that an individual student wishing to be considered self-supporting does not have parental financial resources available which should be accounted for in an assessment of ability to pay and program eligibility.

As the committee knows, there have been suggestions from student aid administrators and from the Department of Education that a more restrictive definition of student independence would better direct limited student aid funds to those in greatest need. These suggestions flow mainly from concerns over student—with available parental resources—who misrepresent their status or adopt independent status for the purpose of qualifying for higher levels of student assistance. Those who call for tighter controls feel that the current definition too easily allows parents of means to transfer the responsibility for financing their children's education to the taxpayer by means of eligibility for highly subsidized student assistance funds.

Within the coalition community, there has been expressed equal concern for the problems for students and families if the national definition should be made more restrictive. A definition which seeks to establish a longer history of student self sufficiency or that employs a minimum age criterion, they argue, would impede or eliminate from program eligibility large numbers of students, both traditional and non-traditional, who have no reason to expect any degree of parental support.

Appendix III

BASIC (PELL) GRANT PROGRAM

	1976–77	1977–78	1978–79	1979–80	1980–81	1981–82	1982–83
Eligible applicants—independent applicants:							
Total eligibles	2,258,043	2,390,320	2,228,603	3,029,745	3,420,000	3,420,000	3,340,776
Percent dependent	63.1	58.1	60.3	61.8	57.0	54.9	51.7
Percent independent	36.9	41.9	39.7	38.2	43.0	45.0	48.3
	(833,265)	(1,001,661)	(885,739)	(1,157,477)	(1,471,113)	(1,528,495)	(1,613,590)
Age distribution—independent eligibles (percent):							
22 years and under	32.1	31.0	29.8	31.4	30.4	30.7	30.0
23 to 30 years	47.8	47.9	47.6	45.6	45.6	45.0	45.0
Over 30 years	20.1	21.1	22.6	23.0	24.0	24.2	25.0

Source: U.S. Department of Education, Office of Student Financial Assistance.

Appendix IV

CAMPUS BASED STUDENT AID PROGRAM RECIPIENTS (UNDUPLICATED)

Number of recipients dollars awarded	1974–75	1975–76	1976–77	1977–78
Undergraduate	850,371	1,424,616	1,052,554	1,007,544
Dependent	$650,274,549	$825,199,770	$788,939,502	$841,377,258
Undergraduate	256,353	333,470	373,946	306,974
Percent	(21)	(18)	(24)	(20)
Independent	227,695,732	311,956,179	302,603,887	333,950,520
Percent	(23)	(25)	(25)	(25)
Graduate and	64,908	75,572	78,784	205,155
Professional students	78,029,714	102,232,523	115,114,048	153,863,425
Less than				
Half-time				
Total number of recipients	1,171,632	1,833,658	1,505,284	1,519,673
Total dollars awarded	$956,000,000	$1,239,388,472	$1,206,657,437	$1,329,191,203
	1978–79	1979–80	1980–81	1981–82
Undergraduate	911,060	1,112,999	1,006,838	1,026,347
Dependent	$832,559,078	$974,842,123	$1,088,141,877	$1,011,144,870
Undergraduate	330,432	510,425	375,823	376,320
Percent	(24)	(27)	(25)	(24)
Independent	361,378,375	415,498,456	431,288,383	391,525,529
Percent	(25)	(26)	(25)	(25)
Graduate and	128,329	234,960	110,064	104,304
Professional students	158,194,686	195,014,836	197,949,118	156,536,269
Less than			554	648
Half-time			560,321	530,930
Total number of recipients	1,369,821	1,856,384	1,493,275	1,507,619
Total dollars awarded	$1,402,132,139	$1,585,355,415	$1,717,939,699	$1,559,737,598

Source: U.S. Department of Education, Office of Student Financial Assistance.

APPENDIX V

COMPARISON DATA FROM PUBLIC INDEPENDENT AND PROPRIETARY INSTITUTIONS [1]

Table 1—Profile: All Recipients of Need Based Aid.
Table 2—Profile: Characteristics of Dependent and Independent Recipients of Student Aid.
Table 3—Student Expenses and Sources of Support: Dependent Recipients of Need-based Aid, 1981–82.
Table 4—Student Expenses and Sources of Support. Independent Recipients of Need-based Aid, 1981–82.
Information on the studies.

TABLE 1.—PROFILE: ALL RECIPIENTS OF NEED-BASED AID, 1981–82

	Institution—		
	Independent	Public	Proprietary
Average age	21	21	25
Percent who are:			
18 or less	21	11	9
19 to 21	61	47	38
22 to 25	13	23	23
26 or more	5	19	30
Total	100	100	100
Percent minority	16	35	54
Percent of family income:			
Under $6,000	18	41	56
$6,000 to $12,000	13	19	20
$12,000 to $18,000	13	14	11
$18,000 to $24,000	16	12	7
$24,000 to $30,000	16	8	4
$30,000 to $36,000	11	4	1
Over $36,000	13	2	1
Total	100	100	100
Percent of status:			
Dependent	87	61	46
Independent	13	39	54

TABLE 2.—PROFILE: DEPENDENT AND INDEPENDENT RECIPIENTS OF STUDENT AID, 1981–82

	Institution—		
	Independent	Public	Proprietary
Dependent students:			
Average age	20	20	NA
Percent who are:			
18 or less	24	16	17
19 to 21	66	64	61
22 to 25	10	18	18
26 or more	0	2	4
Total	100	100	100
Percent minority	14	33	42

[1] Tables compiled by Elaine El-Khawas, Vice President, Policy Analysis and Research, American Council on Education for A Policy Seminar sponsored by The Associational Council for Policy Analysis and Research and the National Commission on Student Financial Assistance, June 3, 1983.

TABLE 2.—PROFILE: DEPENDENT AND INDEPENDENT RECIPIENTS OF STUDENT AID, 1981–82—Continued

	Institution—		
	Independent	Public	Proprietary
Percent of family income:			
Under $6,000	11	21	34
$6,000 to $12,000	12	20	23
$12,000 to $18,000	14	19	16
$18,000 to $24,000	18	18	14
$24,000 to $30,000	19	12	8
$30,000 to $36,000	13	7	3
Over $36,000	14	3	1
Total	100	100	100
Independent students:			
Average age	26	25	NA
Percent who are:			
18 or less	4	2	2
19 to 21	30	18	19
22 to 25	30	33	27
26 or more	36	48	52
Total	100	100	100
Percent minority	30	37	57
Percent of family income:			
Under $6,000	68	77	74
$6,000 to $12,000	23	17	18
$12,000 to $18,000	7	5	
$18,000 to $24,000	2	1	1
$24,000 to $30,000			
$30,000 to $36,000			
Over $36,000			
Total	100	100	93

TABLE 3.—STUDENT EXPENSES AND SOURCES OF SUPPORT: DEPENDENT RECIPIENTS OF NEED-BASED AID, 1981–82

	Independent institutions		Public institutions		Proprietary institutions	
	Average dollars	Percent of total costs	Average dollars	Percent of total costs	Average dollars	Percent of total cost
Student expenses:						
Tuition, fees	$4,190		$921		$2,815	
Other	3,039		2,844		2,733	
Total, expenses	7,229	100	3,833	100	5,548	100
Student resources:						
Parental contribution	1,305	18	469	12	481	9
Grants (need-based):						
Pell	529	7	714	19	970	18
SEOG	222	3	117	3	128	2
State (including SSIG)	611	9	159	4	128	2
Institutional	822	11	43	1	2	0
Total, grants	2,185	30	1,033	27	1,228	22

TABLE 3.—STUDENT EXPENSES AND SOURCES OF SUPPORT: DEPENDENT RECIPIENTS OF NEED-BASED [illegible]981–82—Continued

	Independent institutions		Public institutions		Proprietary institutions	
	Average dollars	Percent of total costs	Average dollars	Percent of total costs	Average dollars	Percent of total cost
Student employment:						
College work-study	428	6	252	7	66	1
State/institution	124	2	94	2	39	1
Total, employment	551	8	346	9	104	2
Loans:						
NDSL	339	5	156	4	225	4
GSL/FISL	1,110	15	555	15	1,235	22
Institutional	21	0	8	0	8	0
Total, loans	1,470	20	719	19	1,468	26
Student contribution	891	12	540	14	423	8
Other aid	569	8	282	7	193	4
Total, all resources	6,972	97	3,390	88	3,897	70
Balance: Remaining need	257	3	443	12	1,651	30

Note: Each dollar figure is an average; individual averages do not precisely add to subtotal and total averages.

TABLE 4.—STUDENT EXPENSES AND SOURCES OF SUPPORT: INDEPENDENT RECIPIENTS OF NEED-BASED AID, 1981–82

	Independent institutions		Public institutions		Proprietary institutions	
	Average dollars	Percent of total costs	Average dollars	Percent of total costs	Average dollars	Percent of total costs
Student expenses:						
Tuition, fees	$3,326		$702		$2,831	
Other	4,998		5,370		4,578	
Total, expenses	8,224	100	6,125	100	7,410	100
Student resources:						
Parental contribution	136	2	11	0	0	0
Grants (need-based):						
Pell	1,169	14	832	14	1,101	15
SEOG	76	1	146	2	126	2
State (including SSIG)	1,013	12	158	2	54	1
Institutional	374	5	31	1	0	0
Total, grants	2,633	32	1,168	19	1,281	18
Student employment:						
College work-study	231	3	276	4	35	1
State/institution	95	1	171	3	74	1
Total, employment	325	4	447	7	109	2
Loans:						
NDSL	143	2	161	3	263	4
GSL/FISL	734	9	534	9	1,221	16
Institutional	44	0	17	0	13	0
Total, loans	921	11	712	12	1,497	20
Student contribution	2,096	26	1,959	32	2,070	28
Other aid	567	8	339	6	292	4
Total, all resources	6,777	82	4,636	76	5,249	71
Balance: Remaining need	1,447	18	1,488	24	2,160	29

For further information on the studies:

Recent Trends in Financial Aid to Students Attending Independent Colleges and Universities, by Virginia Hodgkinson and Julianne Still Thrift.

Available from: The National Institute of Independent Colleges and Universities, 1717 Massachusetts Avenue, N.W., Suite 601, Washington, D.C. 20036. (202) 483-9434. $2.50 per copy.

Student Aid and Public Higher Education: A Progress Report, by Jacob A. Stampen.

Available from: The American Association of State Colleges and Universities, One Dupont Circle, Suite 700, Washington, D.C. 20036. (202) 293-7070. $5.00 per copy.

Proprietary Vocational Schools and Federal Student Aid: Opportunities for the Disadvantaged, by Wellford W. Wilms, prepared for the National Commission on Student Financial Assistance.

Copies of this report will be available through the ERIC Document Reproduction Service by September 1983.

STATEMENT OF LINDA BERKSHIRE, STAFF DIRECTOR, NATIONAL COALITION, ON BEHALF OF FRANCIS KEPPEL, CHAIRMAN, NATIONAL COALITION ON STUDENT AID

Ms. BERKSHIRE. I will jump around a bit in the written testimony as I attempt to summarize what I consider to be the major points.

The committee requested information from the coalition that we might have on independent status for student financial aid applicants. This testimony is based on data from national student aid programs and on recipient data files and other related studies obtained in the last 6 months.

As we looked at this issue, we were particularly interested in information on the rates of participation of independent students in the Federal programs and whether or not these numbers had changed significantly over time, especially in the 18- to 22-year-old group, what we consider to be and what is commonly known as the traditional age group of students that are enrolled in undergraduate course work and for whom parental support has and continues to be generally expected where there is ability to pay.

As we attempted to gather some data to help answer these questions for ourselves we posed the following questions: Does the definition of independent status accurately reflect what we consider to be the guiding public policy to provide assistance only to the extent to which parental resources are unavailable? Does the existing definition allow or encourage public funds to supplant parental contributions for a substantial number of students? Let me report what we found.

I will summarize the various pieces of data that we looked at that helped us to form a conclusion. First, we looked at the changes

in college participation rates in student financial assistance from 1969 to 1981, the period of the seventies. John Lee of Applied Systems Institute helped us by providing data on the characteristics of the independent population over the period of the seventies.

Basically, I won't go over the data, it's before you in the testimony. We concluded from his conclusions in his study that the incidence of independents in the population as a whole—the 18- to 24-year-old group had not increased since 1969. It peaked in 1974 and essentially had remained steady since that time and declined also in college participation rates.

We have provided data on the current population survey here on the incidence of independents in the population independent people enrolled in college and the rates of those independent students in the 18- to 24-year-old category in college participation. The point being, those rates had not gone up, had peaked at some point in the 1974 area and then had come down.

We also looked at some data from the Educational Testing Service that had come from California files. California is one of the States—and I don't know and I should, whether they are the only one—that require 3 prior years of information from the students for their own grant programs before considering them independents. So essentially it's the year of appreciation plus 3 prior years.

We looked at some data from their files to determine whether or not the student was eligible for Federal programs, using 1 prior year of information, whether or not if you moved that definition back to include another prior year, you would lose large groups of students from eligibility. The data here is summarized. Thirteen percent fell out of eligibility by moving the definition back 1 year. Another 8 percent were dropped from eligibility by moving it back another year. That was also part of our review.

Probably of most important interest to the subcommittee is the data that we accumulated just recently on independent student participation in the Federal programs.

In the Pell grant program, the participation of independent students—and you may wish to refer as I am mentioning this to you, to page 12 of the testimony—it's a table in the back and you can follow this—the participation of independent students has increased from 36.9 percent in 1976–77 to 48.3 in 1982–83. We have felt that the percentage growth is largely reflective of changes in program eligibility, program growth and expansion and increasing participation by older students.

What is probably most important is that the percentage of the total of these eligible independent applicants in the Pell grant program under the age of 22, which is the group that most of the policy initiatives have been directed at, has actually declined during that same 7-year period from 32.1 percent in 1976 to 30 percent in 1982.

The table indicates a slight drop in independent eligibles between the ages of 23 and 30 and a growth in the percentage of over 30 population of eligible independents from 20 to 25 percent.

In the campus-based programs, which is the next table, data has been provided by the Department of Education. These are undupli-

cated numbers from recipients in the College Work Study, SEOG and NDSL programs over, I think, it's an 8-year period. The table shows the distribution of dollars and recipients from 1974 through 1982. As a percentage of total recipients, participation by independent students peaked at 27 percent in 1979–80—the table runs across and then across again at the bottom—and has declined since that time.

In 1981–82, independent students received 25 percent of the total dollars expended compared to 21 percent in 1974, but as you will see as well as a percentage of the total dollars in the independent category, it has remained relatively constant at about 25 percent over a full 8-year period.

Graduate and professional students. We looked at a study conducted by the Educational Testing Service which indicated that there are strong tendencies on the part of parents to reduce support to students attending graduate and professional schools. Their study showed that while 70 percent of college seniors who were dependent on their parents only about a third of the enrolled graduate and professional students were. Of those enrolled graduate and professional students who were considered dependent only about a third actually received any help from their parents to finance postbaccalaureate education.

The last information that we looked at—I won't take the time because it would take some time to summarize, but it's provided as a series of tables for you at the final section of the testimony as the final appendix, and these are characteristics of aid recipients that are both dependent and independent, and I think it is illuminating and giving the subcommittee information about the kinds of students that we are talking about that are independent of their parents and participating in student aid programs.

This data is broken down by the kind of institution the students are attending—public, private or proprietary—the age and the minority status—and you will see that there are differences—there are, almost across the board differences in independent and dependent students in terms of the likelihood of their being minority or their being older. The average age is 25 to 26. We have also provided separate tables on the differences that have been found in the way that independent students and dependent students finance their education in these sectors.

This data is provided by—you have heard from several of the people—Jacob Stampen from the Public Data Base, he has worked with Public Data Base under a three associational financed study—and from Julianne Still Thrift at NIICU and from Buzz Wilms at University of California, working with proprietary students under an original contract with the National Commission.

I refer the committee to those studies and those individuals for further information on what we have provided in the appendix.

Mr. Chairman, you asked us to answer two questions on the basis of this data—whether or not we concluded that there were major abuses of the current independent student definition. I would add that most of the data we presented don't lead to quick and easy conclusions because it is somewhat piecey, but what we have looked at I think we can say that the data available to us do not

suggest major abuses of the current definition of the independence by students and their families.

You asked as well, based on our study of the issue, what definition of independent student status we would recommend. In March of 1982—and I remind the subcommittee that that was over 1½ years ago—the coalition that I am representing here today adopted the recommendation of its committee on needs assessment and delivery that one additional base year be added to the current Federal definition of a self-supporting student for undergraduates and the current Federal definition be continued for students who are enrolled in educational programs beyond the first baccalaureate degree.

The definition adopted by the coalition grew out of a long-term discussion and debate in an attempt to draw some consensus on a measure that we felt was an important part of public policy. We thought that the recommendation at the time took into consideration the need to establish a reasonable and verifiable history of self-sufficiency before any applicant could receive funds based on eligibity as an independent student and that it emphasized the primary responsibility of the student and/or his family or her family in meeting college costs.

We thought it recognized that there was a clear difference in perception in public and parental attitudes about graduate and professional study beyond the baccalaureate degree and that it recognized the concerns that many had that any alteration to a definition of independent students not affect disproportionately any identifiable category of students or serve arbitrarily to impede access for any students.

I emphasize again that the coalition's recommendation should not be taken to mean that there is consensus within the financial aid community on this issue and also that some of the information I have presented here today, notably the information on the Federal programs, was not available to the coalition at the time they took that position.

In view of this, Mr. Keppel asked me specifically to say to you that he would be glad, if the subcommittee would like, to ask the coalition membership for a review of the situation and I thank you for the opportunity to present this information.

Mr. SIMON. Thank you very much for your testimony and for the attached tables.

Larry Gladieux. How do you spell your last name? Is it I-E-U-X?

Mr. GLADIEUX. Yes. Gladieux. It is a French name which is not pronounced French.

[Prepared statement of Lawrence Gladieux follows:]

PREPARED STATEMENT OF LAWRENCE E. GLADIEUX, EXECUTIVE DIRECTOR, WASHINGTON OFFICE OF THE COLLEGE BOARD

Mr. Chairman and Members of the Subcommittee, I am Larry Gladieux, Executive Director of the Washington Office of the College Board. I thank you for the opportunity to testify on a central and delicate issue in the operation of student aid programs: how to distinguish between students who are financially dependent on their parents and those who are self-supporting.

My organization, an association of 2,500 schools and colleges, has been engaged in the movement during the past quarter century to eliminate financial barriers to higher education through aid to students. Creation of the College Scholarship Serv-

ice as part of the College Board in 1954 formalized the principle and practice in the educational community of awarding aid according to the financial need of students and their families. Since the mid-1960s the Washington Office of the College Board has focused special attention on the expansion of federal need-based assistance programs and has conducted policy research on student aid, including a study published last spring entitled *Financial aid for Self-Supporting Students: Defining Independence*. I would like to submit a copy of that report for the hearing record. One of its co-authors, Alan P. Wagner, joins me today in presenting this testimony.

The notice of this hearing requested our response to two questions: first, what the data and analysis indicate about the extent of abuse of the independent student definition; and second, based on our studies, what changes should be considered in the current federal definition.

Before turning specifically to these questions, let me comment on the nature of the policy problem here and the limitations of statistical data and analysis designed to shed light on it. The bedrock of the student aid system since the 1950s has been the assumption that parents have the primary obligation to pay for their children's higher education, with aid awarded to the student only after the parents have contributed to the extent of their financial ability. A corollary assumption is that the needs of students who are truly independent of their families should be judged without reference to parental resources. Applying these assumptions in the 1980s, however, is complicated by shifting patterns of college attendance. The traditional full-time dependent student of "college age" is becoming less typical of the postsecondary population. Many young people are stretching out their education, enrolling part-time, "stopping out," or alternating periods of work and education. More adults are returning to higher education for a "second chance" or retraining and mid-career change. No one would argue that the parental obligation lasts indefinitely, but where to draw the line is the question. At what point, or under what circumstances, should parents be viewed as having no further responsibility to support their offspring's education? The crux of this important public policy issue is more philosophical and subjective than analytical.

The distinction between dependent and independent students has potentially significant financial implications. With federal cutbacks and generally less student aid money to go around, trade-offs are becoming more acute. The amount of aid awarded to students who are treated as self-supporting is determined solely on the basis of their own income and assets. If students whose parents could reasonably be expected to help pay college costs are able to take advantage of aid programs by qualifying under self-supporting definitions, less money will be available for legitimately needy, dependent and independent students.

What are the perceived flaws in the current federal definition? The federal definition now in force, which looks much the same today as when it originated in the 1960's, has three parts: (1) a residence criterion (may not have lived with parent or guardian for more than six weeks per year); (2) a financial support criterion (must not have received more than $750 in a year from parents or guardians); (3) an income tax deduction criterion (may not have been claimed as a dependent by parent or guardian for federal income tax purposes). The first two parts of the test, financial support and residence, are difficult to verify and can be easily circumvented. In-kind support from parents and gifts from friends and relatives, for example, can simply be overlooked. As for the income tax criterion, families that choose to do so can give up the exemption for the otherwise dependent student member, and in most cases the greater tax liability will be more than offset by the student's increased eligibility for student aid on a self-supporting basis. And families that have not planned ahead in this way can file amended tax returns after the fact to capture the same calculated benefits. So while the third part of the federal definition is verifiable (through collection of signed copies of the federal income tax form from the parents), aid administrators report that the rule is manipulated by at least some students and families.

The potential financial trade-offs and the perceived loopholes in the current federal definition have already had two important results in practice:

1. Liberalization in the way need is measured for independent students has been deferred in recent years, largely to avoid providing greater incentives for dependent students to declare independence. Existing need analysis systems appear to treat many self-supporting students too harshly. Congress called for changes in this regard when it passed the Education Amendments of 1980, and there has been growing sentiment among financial aid administrators that need analysis should be less confiscatory in the treatment of the independent student's resources. But by and large such reforms have been held in abeyance because of a widespread perception that the current federal criteria for establishing independence are too permis-

sive. Thus truly independent students are being penalized in terms of the amount of aid they receive because of apparent problems in the definition.

2. A growing number of states and institutions have adopted stricter criteria for determining self-supporting status under their own student aid programs, regardless of the federal definition. Of the ten states operating the largest need-based state scholarship programs in the country, seven now require a tighter demonstration of independence than is necessary under federal rules. The Subcommittee will hear from one of those states, Pennsylvania, at this hearing. The others include: California, Indiana, Minnesota, New Jersey, New York, and Ohio. An eight state, Illinois, which is also represented at this hearing, I understand is on record calling for a change in the federal definition; Illinois is obligated to follow the federal rule since its scholarship program is tied directly to the Pell Grant system.

Now let me turn to the College Board study, which we initiated over a year ago to review the available national data that might suggest the extent of the problem and to inform the search for an improved definition. Our aims were to estimate: (a) who is qualifying as independent under the current rules, and (b) who would be affected by various options for change. Two limitations of the analysis should be noted:

First, the data are drawn from a federally sponsored sample survey of students enrolled in 1979-80 (Study of the Impact of Student Financial Aid Programs, or SISAP). There is almost always a lag of a few years in the availability of such representative national data. The drawback, of course, is that the data analysis does not reflect any changes in enrollment patterns or student behavior since 1980.

Second, the survey data are limited to undergraduate enrollments. Thus our analysis does not suggest how changes in the definition of independence might affect the participation of graduate students in the aid programs. A different set of considerations is involved in how the independent student definition affects students in the various graduate and professional fields. In the final analysis, the Subcommittee may conclude that separate criteria are necessary and appropriate to determine self-supporting status of undergraduate and graduate students, rather than applying the same definition to both as is currently the case under Title IV of the Higher Education Act. The College Board study and this testimony, however, do not speak directly to this question.

The Current Definition: What the Data Tell Us

The number of students classified as independent under the federal definition has grown rapidly in all aid programs during the past ten years. For example, between 1976 and 1982 independent applicants in the Pell Grant program increased by 50 percent, from 1.2 million to 1.8 million.

It is clear that a great part of this growth stems from increased enrollment of older individuals, most of whom are unquestionably on their own financially. Because of the general aging of the postsecondary student population, the number of legitimately self-supporting undergradutate students is likely to rise whether or not the definition is tightened. As Alan Wagner and Nancy Carlson write, the "independent student problem" is, in large measure, the problem of "how to accommodate a student population that is becoming increasingly independent under any definition."

At the same time, the data indicate recent growth in the numbers of younger, unmarried students in the independent category. In 1979-80 about 25 percent of financially independent undergraduates were 24 years of age or younger and single, with no dependents; about 10 percent of independent undergraduates were 21 years of age or younger and single, with no dependents. The analysis suggests that part of the increase in the number of independent students is coming from these single, younger age groups.

One cannot draw firm conclusions about the extent of abuse of the independent student definition based on such data. The analysis is only suggestive. Likewise, several states have attempted to gauge the potential scope of abuse. Studies in California, Pennsylvania, and Minnesota tracing students over several years show that 15 to 25 percent of independent student aid recipients qualified as "dependent" as recently as two years previously. What all these analyses suggest is that a part of the problem may be the result of otherwise dependent students in younger age groups—and their families making calculated arrangements to qualify as self-supporting for purposes of student aid.

I also wish to reemphasize that the national data do not yet reveal changes that may have taken place in the past three years. And it is worth noting in this regard that a new and potentially strong incentive for middle to upper middle income students to declare independence has been in effect since 1981. In that year Congress imposed a $30,000 family income cut-off (with a need test required above that level)

for Guaranteed Student Loans. The flat income cap permits virtually all students who claim to be financially independent of their parents to qualify for subsidized loans regardless of what other resources they might have available. Data on recent borrowing patterns in New York State may reflect the results of this situation. The overall dollar volume of GSL and the total number of loans declined by an estimated 13 percent in New York in 1982–83 as a consequence of the federal imposition of the $30,000 income cut-off. The number of borrowers, however, in the income category below $10,000 jumped by an estimated 25 percent. This pattern may well have resulted from substantial numbers of students declaring themselves to be financially independent of their parents to qualify for the program

Findings about Alternative Definitions

There are several possibilities for tightening the current federal definition, some of which have already been implemented by various states and institutions. The possibilities include:

Extended tax indepenence.—Applicants could be required to show they were not claimed as a dependent on a federal income tax form for three or four years (up from two years in the current definition). California and Washington State have both adopted a four-year tax independence requirement in a quest for expanded, verifiable and direct evidence of the student's finanical separation from the parents.

The National Coalition for Student Aid, as indicated in its testimony to the Subcommittee today, has endorsed this approach. My own organization, through the College Scholarship Service (CSS) Council, is also on record favoring extended tax independence. The CSS Council position is tentative and will be revisited during the course of regional meetings of the College Board in the beginning of 1934; other approaches to possible reform of the independent student definition will be under consideration.

Age.—The most easily understood, straightforward, and verifiable addition to the current definition is an age criterion. Indiana and New York, for example, require that all students under age 22, with certain limited exceptions, apply as dependent students. Students above age 22 in these states must meet the conditions of the three-part federal definition.

Proof of self-sufficiency.—A major objection to the federal definition is that it allows students to be classified as independent without evidence that they have established a pattern of self-supporting behavior. A self-sufficiency test would require students to document (through tax returns or records of nontaxable income) that they have had the financial resources to support themselves in households separate from their parents. Variations on such a self-sufficiency requirement have been implemented by several states as well as some colleges and universities.

Being married and/or having dependents.—The presence of a spouse or other dependents might be taken as a reasonable proxy for financial independence. For students in the younger college-age brackets, marriage alone is perhaps not sufficient grounds for relieving parents of responsibilities for educational support, but the presence of dependents other than a spouse might signify a truly independent household.

The Wagner-Carlson analysis estimated the effects of options using various combinations of all the above criteria. This testimony stresses alternatives involving age and extended tax independence, since these are the approaches being most widely discussed. In capsule here are the salient findings:

Extending the tax independence requirement for two additional years has about the same affect on the total number of independent students as an option that defines all students below age 22 as dependent and uses the current federal test for those 22 and above. In both cases the number of undergraduates classified as independent would drop by about 15 percent.

Using just an age criterion (under 22 equals dependent; over 22 equals independent) vastly increases the number of independent students in the 22 to 24 age group.

Defining all students under age 22 as dependent would in 1979–80 have caused roughly 100,000 18 to 21 year old students with dependents of their own to be reclassified from independent to dependent, a reclassification some might argue with on philosophical grounds.

Whether one automatically counts students age 25 and over as self-supporting or applies the current federal definition does not make a great deal of difference. Most students age 25 and up will qualify as independent in either case.

CONCLUSION

Let me now summarize our response to the two questions posed for this hearing.

On the extent of abuse, no available national data can firmly ascertain to what degree the current definition of independent status is being circumvented contrary to the spirit if not the letter of federal policy. We can only draw inferences from data on trends in the number and characteristics of students classified as self-supporting. We know that a large source of growth in the number of such students is the increased enrollment of adults, but part of the growth is also coming from the younger, traditional college age groups. One can infer from the data that there is a problem and that it is not insignificant. Also, recent developments not reflected in currently available national data may be accelerating the trend toward independence at the younger age levels.

Whatever the extent of abuse, what should be the federal response? One possibility is for the federal government not to make a change but to let states and institutions make adjustments on their own, as is already taking place. My own view is that there is a compelling case for revision of the federal criteria, if only in the interest of consistency. No one—certainly not students—will gain by the proliferation of 50 different state definitions as well as a number of institutional variations. Continued movement in this direction will only complicate student aid application forms and the coordination of federal, state, and campus programs.

To be specific in answer to your request for a recommendation on how to change the federal definition, we suggest the following:

Switch to an age criterion for those under age 22 (equals dependent) and over 25 (equals independent) and limit the requirement of the current three-part definition (or an extended version of it) to 22-24 year olds. Exceptions to the blanket assumption of dependence under age 22 could be made for students who have dependents of their own, orphans and wards of the court, and perhaps others.

Based on our analyses and review of other available evidence, this approach would offer many advantages, easing the administrative burden while at the same time increasing verifiability. Symbolically, it would also reinforce the assumption of parental responsibility through at least the traditional ages spanning undergraduate education.

Many factors will have to be considered in changing to any such new definition. Some observers have questioned the legality of an age criterion in view of age discrimination laws, though such a barrier to changing the definition seems remote. Also, as I noted earlier, the effects on graduate and professional students must be reviewed.

I do believe, however, that a change is needed. If there is a single feature of student aid programs today that undermines confidence in the system because of disparities in the way different students of like circumstances are treated, it is the definition of self-supporting status. The higher education reauthorization should be an opportunity to devise a new federal definition that distinguishes more simply, fairly, and accurately between students who can depend on parental support and those who cannot.

Mr. Chairman, we hope these observations and suggestions prove useful to the Subcommittee. My colleague Alan Wagner and I shall be glad to answer any questions.

STATEMENT OF LARRY GLADIEUX, EXECUTIVE DIRECTOR, WASHINGTON OFFICE OF THE COLLEGE BOARD, ACCOMPANIES BY DR. ALAN WAGNER, COAUTHOR OF "FINANCIAL AID FOR SELF-SUPPORTING STUDENTS: DEFINING INDEPENDENCE"

Mr. GLADIEUX. Thank you, Mr. Chairman and members of the subcommittee. I am Larry Gladieux, executive director of the Washington office of the college board. I thank you for the opportunity to testify on this important issue.

My office of the college board does policy research on student aid including a study we commissioned and issued earlier this year entitled, "Financial Aid for Self-Supporting Students: Defining Independence." I would like to submit a copy of that full report for the record. One of its coauthors, Alan P. Wagner, is with us today. There wasn't room at the table, but he is here to help amplify some of the findings of that study.

[A copy of the study, "Financial Aid for Self-Supporting Students: Defining Independence," follows:]

Financial Aid for Self-Supporting Students: Defining Independence

Alan P. Wagner and
Nancy Carlson

The Washington Office
of the College Board

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The College Board

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Foreword

The bedrock of need-based student assistance policy since the 1950's has been the assumption that parents have the primary obligation to pay for their children's higher education, with aid awarded to the student only after the parents have contributed to the extent of their financial ability. In the 1980's, as college costs continue to rise and student aid levels off or contracts, most observers agree that this traditional expectation of parental responsibility and sacrifice will have to be reinforced.

Yet for growing numbers of students enrolled in postsecondary education, the presumption of parental support is impractical or questionable. The fulltime dependent student of "college age" (18–21) has become less and less typical of the college-going population and will become still less so in this decade and the next. More adults are returning to higher education for a "second chance" or retraining and mid-career change. At the same time young people are stretching out their education, enrolling parttime, stopping out, or alternating periods of work and education. No one argues that the parental obligation should last indefinitely, but where to draw the line will perhaps be the most vexing issue of student aid policy in the years ahead. Should the determination be keyed automatically to such factors as the student's age or marital, family, or veteran status? To what extent, if any, should parents be obligated to support their offspring's graduate and professional education?

Much is at stake in distinguishing as accurately and as fairly as possible between dependent and independent students. With less student aid money to go around, trade-offs are becoming more acute. Aid to students who are judged self-supporting is awarded solely on the basis of their own income and assets, not on the financial well-being of their parents. If students whose parents could reasonably be expected to help pay college costs are able to take advantage of aid programs by qualifying under self-supporting definitions, less money will be available for legitimately needy students. The challenge for federal, state, and campus policy makers will be how to screen out students who might abuse the system without being unfair to those who ought to be viewed as free-standing adults, for whom an expectation of parental support would be inappropriate.

This report is a careful examination of a tangled policy issue. The study reviews existing data on postsecondary undergraduates and concludes that much of the recent growth in the number of independent students stems from increased enrollments of older individuals, many of whom are indeed on their own financially. As the authors note, the "independent student problem" is, in large part, the problem of "how to accommodate a student population that is becoming increasingly independent under any definition."

At the same time, the data indicate recent growth in the number of unmarried 18 to 21-year-old students classified as independent. Young, single students without dependents still represent only 10 percent of all self-supporting students, but their number is increasing. It is this group that causes much of the concern over how to define independence for student aid purposes fairly and accurately.

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Several alternatives to the prevailing federal rules for establishing independence have been discussed in recent years. This analysis uses data on 1979-80 undergraduate enrollments from a federally-sponsored survey (Study of the Impact of Student Financial Aid Programs, conducted by Applied Management Sciences) to estimate changes in the number and characteristics of independent students under alternative definitions.

The options chosen for analysis are not necessarily the specific ones that will be debated by policy makers this year or in the years ahead. But they encompass a large enough range of possibilities that the analysis will serve as a reference for the continuing policy discussions.

There are important limitations, of course, in any such statistical analysis. The study relies on data describing college students in the school year 1979-80. More recent data would always be preferable, but the authors worked with what is available. In addition, the available data are restricted to undergraduate enrollments. Accordingly, the analysis does not suggest how changes in the definition of independence might affect the participation of graduate students in the aid programs.

Data limitations aside, the analysis provides an empirical backdrop for the debate on an issue that is too often misperceived and too readily oversimplified. The strongest message from this study is that there are no easy, clearcut solutions.

This study was conducted by Alan P. Wagner, an economist at the Center for Educational Research and Policy Studies at the State University of New York at Albany, and Nancy Carlson, Research Assistant in the Washington Office of the College Board.

Many other individuals provided assistance and advice along the way. Janet S. Hansen guided the project and ensured that the presentation of the results was as clear and timely as possible. Donald Holec offered insights and reactions which helped focus the paper in important ways. Charles Byce provided sound judgments and suggestions on the data analysis. Paul Siegel and Steve Carter facilitated access to relevant, unpublished data. Helpful information and comments also came from Don M. Betterton, Joe Paul Case, William Cavanaugh, Donald Gillespie, Mary Murphy, James White, and Natala Wickstrom. James Farrell and William Ferris edited the manuscript. Irene Wu, Valerie Bullock, Diane Erving, and Winona Orange typed and proofed it, and Teena Chase assisted in the preparation of early drafts and tables.

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Financial Aid for Self-Supporting Students: Defining Independence

Introduction

The definition of financial independence as it applies to students has troubled administrators of student financial assistance programs for many years. A key assumption of the student aid system is that parents are responsible for the postsecondary education expenses of their children to the extent of their ability to pay. An essential corollary is that the financial needs of students who are "truly" independent of their families should be judged without reference to parental resources. The problem is to specify and implement criteria that satisfactorily distinguish between independent and dependent students.

Recent developments have renewed interest in the definition of financial independence for student aid purposes. The number of independent students has grown rapidly in all aid programs. For example, between 1976 and 1982 financially independent applicants in the federal government's multibillion-dollar Pell grant program increased by 50 percent (from 1.2 million to 1.8 million). This growth has attracted the attention of officials in the Reagan Administration, concerned both with emphasizing parental financial responsibility and with cutting program costs. They have outlined 11 options for tightening the existing definition of financial independence (see Appendix A). The requirements used by some states and institutions in administering their own funds are already more stringent than those used in federal programs.

College officials, too, are dissatisfied with the current definition. Aid officers, who have to account for the proper use of public student aid subsidies, have a difficult time verifying all the information provided by applicants and families to prove financial dependence or independence. At the same time, aid officers have to deal with anomalies in the current methods of establishing independence. On the one hand, they encounter students who qualify as independent under existing rules but who cannot demonstrate either visible means of self-support or the existence of a separate household. On the other, they see increasing numbers of (usually older) aid applicants for whom the existing rules seem unnecessary and overly burdensome.

A final reason for renewed attention to the definition of student financial independence is that the current need analysis system appears to treat independent students too harshly, in part to avoid creating incentives for dependent students to establish independence as a way of qualifying for more aid. There is growing interest in the aid community in making need analysis less confiscatory in the treatment of an independent student's resources. This change, it is widely agreed, must be accompanied by a better way of determining which students are truly self-supporting and which still have financial ties to their parents. The challenge is to develop and implement a definition that distinguishes simply, fairly, and appropriately between students who can depend on parental support and those who cannot.

This paper was written to help inform the search for an improved definition by providing a quantitative analysis of "the independent student problem" and of options for change. Such an analysis is made possible by a unique data base containing financial and demographic information about undergraduate students

in academic year 1979–80. This data base was developed during the federally sponsored "Study of the Impact of Student Financial Aid Programs" (SISFAP), and we have used it, along with some supplementary data sources, to examine the population of independent students under current federal rules and to estimate the effects of changing these rules.

Two important caveats are in order. First, because SISFAP covered only undergraduate students, our analysis is also limited to undergraduates. We do not examine the graduate student population at all. This population is not eligible for some student aid programs (e.g., Pell grants) and receives considerable aid in others (e.g., Guaranteed Student Loans). Policy makers considering changes in the definition of independent students must weigh the likely effects on graduate students and on programs in which they participate. Second, our analysis is based on the population of undergraduate students in 1979–80 as described by SISFAP. Because characteristics of undergraduates may have changed since 1979–80, our estimates may not totally reflect the current student population.

This paper is divided into three parts. The first part describes independent students as defined by existing federal regulations and examines why these students are increasing in number. The available data and published reports examined show that students who are older or heads of their own families account for a sizable share of the increase in the pool of independent students, and their numbers seem likely to continue growing. In 1979–80, only 10 percent of financially independent undergraduates were both under 22 years old *and* single, with no dependents. In this respect, the current definition appears to have excluded most of a subgroup usually considered to be dependent on parental support. However, the data also suggest that part of the increase in independent students is coming from this younger, single group. Over time, therefore, the number of younger, single independent students may continue to grow if the definition of independence remains unchanged.

The second part, on alternative definitions, reviews earlier studies of possible refinements in the definition of financial independence and identifies several criteria that might be used in modifying the definition. It also illustrates several options for change and uses the SISFAP data to estimate how each option would affect the number and characteristics of undergraduates qualifying as independent.

The final section summarizes key issues and presents conclusions.

The Current Definition and Its Impact

Under current federal law, financial aid applicants are deemed financially independent of their parents if they satisfy three criteria:

(1) a *residence* criterion (may not have lived with parent or guardian for more than six weeks per year);

(2) an *income tax deduction* criterion (may not have been claimed as a dependent by parent or guardian for federal income tax purposes);

(3) a *financial support* criterion (must not have received more than $750 in a year from parents or guardians).

These criteria—the "tri-form" test—are applied in both the previous calendar year and the year of enrollment for applicants who are single. In the 1982-83 school year, married students must satisfy the criteria only for one year. The qualifying definitions are presented more fully in the adjoining box.

WHAT IS AN INDEPENDENT STUDENT?
Current Federal Criteria

In 1982-83 an independent student is defined as—

A single student who for 1981 and 1982—

(1) Has not lived and will not live for more than six weeks in each year in the home of parent(s);

(2) Has not been claimed and will not be claimed as a dependent for federal income tax purposes by parent(s); and

(3) Has not received and will not receive financial assistance of more than $750 in each year from parent(s); or

A married student who for 1982—

(1) Will not live for more than six weeks in the home of parent(s);

(2) Will not be claimed as a dependent for federal income tax purposes by parent(s); and

(3) Will not receive financial assistance of more than $750 from parent(s).

"Parents" include natural parents and other caretakers or guardians, whose income must be reported according to regulations governing federal student aid programs.

A Profile of Independent Students

Under these criteria, who are the independent students? In the 1979–80 academic year, an estimated 2.9 million undergraduates met the definition of financial independence.[1] Of these, 54 percent, or 1.6 million students, actually received some form of student aid from the federal government.

As the figures in Table 1 indicate, the independent population includes relatively large numbers of students who are male, minority, older, and heads of multiperson households. With about 85 percent above 21 years of age, most financially independent undergraduates were older than the traditional 18- to 21-year-old age group. And nearly 62 percent claimed at least one dependent or were married. Looked at another way, only 10 percent of financially independent undergraduates were both under 22 years old and single, with no dependents. Finally, self-supporting students in 1979–80 chose nontraditional postsecondary schooling options: fully one third enrolled parttime, while 54 percent selected the shorter programs offered at community colleges or proprietary institutions.

Flaws in the Current Definition

Although modified to reflect changing economic and family circumstances over time, the definition of financial independence remains largely as it was in the 1960's. Practically from its inception, the definition has been a source of controversy. At the center of the debate is whether, in fact, the criteria in the tri-form test adequately separate students who cannot lay claim to parental support from those who can. The current definition raises three concerns.

The first is whether the three criteria in the tri-form test are sufficient to determine when students and parents have severed significant economic ties. The issue has two dimensions. One involves the practical problem of measuring the presence or absence of an economic relationship. The other involves normative judgments about when parents should be relieved of responsibility for their children's expenses.

The second concern is whether the criteria used to establish financial independence can be verified. As Hansen (1974) and Hansen and Hampman (1974) point out, the financial support and residence criteria are rather easily circumvented. In-kind (as opposed to cash) support from parents, for example, may not be reported. Gifts from friends and relatives may also be ignored. As a result, a student can establish financial independence and still indirectly receive family support.

The final concern is whether the definition gives incentives to students and their families to change from dependent to independent status in order to obtain a larger public subsidy for educational expenses. Such a change in dependency status would violate the intent, if not the legal wording, of the

1. The data come from special tabulations of the 1975FAP-AMS student questionnaire data base (Department of Health, Education and Welfare, 1980). For more detail, see "Redefining Financial Independence" and Appendix B.

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Table 1. Characteristics of Undergraduate Students and Aid Recipients by Dependency Status, 1979-1980 (Numbers in 000's)

	Students				Federal Aid Recipients[a]			
	All Undergraduates		Independent Undergraduates		All Undergraduates		Independent Undergraduates	
	Number	%	Number	%	Number	%	Number	%
Total	8,653	100.0	2,905	100.0	3,932	100.0	1,562	100.0
Sex								
Male	4,436	51.3	1,547	53.3	2,015	51.2	848	54.3
Female	4,217	48.7	1,358	46.7	1,917	48.8	714	45.7
Racial/Ethnic Group								
White	7,140	82.5	2,234	76.9	3,187	81.1	1,199	76.8
Black	858	9.9	372	12.8	394	10.0	198	12.7
Hispanic	336	3.9	132	4.5	177	4.5	64	4.1
Other	319	3.7	167	5.8	174	4.4	101	6.5
Age								
19 years or under	1,435	16.6	73	2.5	619	15.7	33	2.1
20 and 21 years	3,160	36.5	375	12.9	1,353	34.4	213	13.6
22 to 24 years	2,187	25.3	779	26.8	942	24.0	392	25.1
25 to 34 years	1,327	15.3	1,180	40.6	716	18.2	642	41.1
35 years and over	544	6.3	498	17.1	302	7.7	282	18.1
Family Status								
Unmarried, no deps.	6,753	78.0	1,110	38.2	2,909	74.0	585	37.5
Unmarried with deps.	542	6.3	512	17.6	274	7.0	263	16.8
Married, no deps.	503	5.8	431	14.8	270	6.9	235	15.0
Married with deps.	855	9.9	852	29.3	479	12.2	479	30.7
Attendance Status								
Full-time	6,979	80.7	1,947	67.0	3,067	78.0	995	63.5
Part-time	1,674	19.3	958	33.0	865	22.0	570	36.5
Institution Type								
Public four-year	3,951	45.7	1,068	36.8	1,688	42.9	501	32.1
Public two-year	2,094	24.2	1,167	40.2	1,233	31.4	624	40.0
Private four-year	1,635	18.9	267	9.2	441	11.2	103	6.6
Private two-year	205	2.4	47	1.6	28	0.7	12	0.8
Proprietary-vocational	768	8.9	356	12.3	542	13.8	322	20.6

[a] Participants in Department of Education federal student aid programs.

Source: U.S. Department of Health, Education and Welfare, *SISFAP Student Questionnaire data file*, special tabulations. See text and Appendix B.

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definition. Hansen and Lampman (1974) and others have shown that the potential gain from changing dependency status in the Pell grant program is sizable. For example, a family of four at the lowest income quartile could forego five years of reduced taxes by giving up the exemption for the otherwise dependent student member—at a cost of $1,000 in increased tax liability. The greater liability would be more than offset by the student's increased eligibility for a Pell grant: over 4 years, Pell assistance could be anywhere from $2,000 to $3,000 more than if the student had remained dependent.[2] But this differential is misleading. Financial aid packages include assistance from other federal, state, institutional, and private sources. When the subsidies in the entire financial aid package are compared to tax benefits, the differential might well be much smaller. This would certainly be true if the institution's aid office (or the state scholarship program) used more exacting criteria to determine financial independence.

Effects of the Current Definition

Have the increases in independent undergraduate enrollments come from students who are "truly" independent? The evidence, marshalled from census and financial aid program data, suggests that the answer is "partly yes, partly no."

According to data obtained from the Census Bureau's October Current Population Survey (CPS) series, the pool of "potential" undergraduates has become older and includes more single individuals. Potential undergraduates are individuals who have graduated from high school but have not completed four years of college. The aging of the potential student pool can be seen in Table 2. From 1976 to 1978, the pool increased by 6.3 percent, and by 4.7 percent from 1978 to 1980. Younger cohorts generally increased by less than the overall rate, while the older cohorts experienced a greater than overall rate of growth. Importantly, undergraduate enrollments also increased most rapidly in the older groups, whose members are likely to be independent.[3]

A more detailed look at the census data, however, suggests that the aging of the student population may not be the only reason for the increase in independent

2. These are estimates of the authors. The lost tax savings assume a 20-percent marginal rate for each of five years (the year preceding enrollment and four years in college). The unused exemption, at $1,000 per year, leads to a $200-per-year increase in tax liability. Pell grant calculations assume a family of four at the lowest-income quartile (about $13,000 in 1982–83) with no unusual expenses and no assets above allowable reserves. Our calculations show the net gain is even greater for high-income families. And, over time, the net gain to high-income families from circumventing the system in this way has not decreased. Rather, the more liberal treatment of families with dependent children, ushered in with the Middle Income Student Assistance Act, was accompanied by a similar easing in the contribution calculations for self-supporting students. Details are available from the authors.

3. Using information supplied in the 1976 Survey of Income and Education (SIE), Hill and Froomkin (1982) find that about 10 percent of postsecondary students above age 25 were dependent on their parents. However, since they did not have the student and family data necessary to determine independence under the financial aid definition, Hill and Froomkin used other criteria that are somewhat more restrictive. See Hill (1981).

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students. More younger students may be qualifying as financially independent as well. As shown in Table 3, large increases in enrollments among 18 to 24 year olds classified as "single, not in a family" occurred over the 1978 to 1980 period.[4] The number of such students increased by 5.5 percent over the two years, while the numbers of potential undergraduates in this group remained about the same (−.2 percent).

These data and similar data on financial aid applicants seem to show two separate groups fueling the growth in the numbers of financially independent students.[5] First, a growing pool of older potential undergraduates provided over half the increase in independent student enrollments. However, enrollments also increased from a younger, unmarried group, many of whom qualified as self-supporting. It is the growing enrollment from the latter group that has caused concern.

Why have enrollment rates increased among younger, single students, especially single independent students? The popular reading of the figures points to the incentives for young adults otherwise dependent on their families to form separate households in order to qualify for larger amounts of financial aid. Nelson et al (1974) estimated that parents of qualified independent students saved about $2 billion annually in expected contributions toward education expenses. Presumably the tab was picked up by student aid.

An alternative interpretation, also consistent with the data, recognizes that high unemployment rates among young adults and increases in student aid

4. In the CPS, "family members" are assigned to a "primary family" if they usually live with the family; those designated as family members would almost certainly be dependent for financial aid purposes. The other two groups, married and other individuals not usually living with their families, are somewhat more likely to be judged independent. A supplement to the October 1973 CPS requested the information necessary to determine dependence under the tri-form test (U.S. Department of Commerce, Bureau of the Census, 1975). The tabulations presented in the published report suggest that the Census "single, in family" category identified dependent students quite well. Applying the "tri-form" test, 4.6 million undergraduates were determined to be independent in 1973 compared to 4.3 million classified as single family members in the same CPS. The remaining difference reflects differences in the ages covered in the tabulations, and in the treatment of currently married students. Nonetheless, the figures are remarkably close. Lee (1983) also uses CPS data to search for changes in the size of and enrollment from "potentially" independent groups identified here (i.e., those not living in a "primary family"). Our work differs from Lee's in two important ways: (1) Lee compares data collected in 1974 and 1981, while we examine trends from 1976 to 1980; (2) Lee combines "married," "single, not in family," and "age" groups, while we examine these groups separately. This last difference is particularly important because the trends for the 18- to 24-year-old married group run opposite to changes in the "single, not in family" group. Thus, Lee's presentation hides important differences in the size of and enrollments from a subgroup of particular interest to policy makers concerned with financial aid.

5. Financial aid program data, culled from information supplied to the Pell grant program and the College Scholarship Service (CSS) by potential students seeking financial aid, indicate an increase in older and younger applicants. From 1978 to 1980, the 53.3 percent increase from the youngest independent Pell grant applicants (19 years or less) exceeded the 42.5 percent increase across all age groups (see Table C-1). Information obtained from the CSS filing population (Table C-2) shows a decline in the average age of independent filers over the 1977–78 to 1979–80 period. This pattern holds for independent applicants at every year in school.

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Table 2. Changes in Potential Undergraduate Students and Undergraduate Enrollments by Age: October 1976 to October 1980

	Percent Change	
	1978 to 1980	1976 to 1978
Potential Undergraduates		
Total, 18 to 34 years	4.7	6.3
18 and 19 years	.6	.5
20 and 21 years	−.6	5.6
22 to 24 years	3.7	6.6
25 to 34 years	8.2	8.2
Undergraduate Enrollment		
Total, 18 to 34 years	+5.3	−1.3
18 and 19 years	1.2	−1.2
20 and 21 years	6.5	−4.7
22 to 24 years	11.6	.7
25 to 34 years	6.1	2.3

Source: Percentages estimated from U.S. Department of Commerce, Bureau of Census (1981a, 1981b, 1982). Undergraduate enrollments from U.S. Department of Commerce, Bureau of the Census (1981b). "Potential Undergraduates" are defined as persons who have graduated from high school, but have not completed four years of college.

between 1978 and 1980 may have affected college enrollment rates.[6] Both changes would have greatly increased the attractiveness of postsecondary schooling to all 18- to 24-year-old potential undergraduates. Those already self-supporting in this age group may simply have responded more readily.

In sum, the census and program data describe growing pools of older potential and actual undergraduates, along with increasing enrollments drawn from younger, single (and possibly independent) groups. The aging of both potential and actual students suggests that the number of legitimately self-supporting students is likely to rise even if the definition is tightened, and that policy makers must ask how financial aid programs are to accommodate a student population that is becoming, under any definition, increasingly independent.

6. Census data for the 1976 to 1980 period support this view. For the 16- to 24-year-old cohort, the number employed increased by 14.8 percent from 1976 to 1978, then declined by 2.9 percent over the 1978 to 1980 period. See Young (1981).

Table 3. Changes in Potential Undergraduates and Undergraduate Enrollment by Age and Family Status: October 1976 to October 1980

	Percent Change	
	1978 to 1980	1976 to 1978
Potential Undergraduates		
Total, 18 to 24 years	+1.5	+4.5
Single, in family	5.2	3.5
Married	−4.7	−5.1
Single, not in family	−.2	24.9
Total 25 to 34 years	+8.2	+8.2
Single, in family	—	—
Married	4.5	3.7
Single, not in family	16.9	20.8
Undergraduate Enrollment		
Total, 18 to 24 years	+4.1	−2.1
Single, in family	5.4	−3.2
Married	−11.4	−11.0
Single, not in family	5.5	13.2
Total 25 to 34 years	+6.2	+2.3
Single, in family	—	—
Married	−7.0	−4.9
Single, not in family	26.5	15.8

Source: Potential undergraduates estimated from U.S. Department of Commerce, Bureau of the Census (1981a, 1981b, 1982). Undergraduate enrollments from U.S. Department of Commerce, Bureau of the Census (1980, 1981a).

Redefining Financial Independence

Dissatisfaction with the current definition of independent students has stimulated a number of proposals for change. Although widely discussed, few of the proposals calling for additional, verifiable criteria to determine financial independence have been carefully examined. The following discussion reviews the range of proposals for redefining financial independence and estimates the effects of various alternative definitions on the numbers and attributes of independent students.

What Has Been Proposed

Proposals for change have ranged from modest to radical. Some would allocate financial aid to "truly" independent students through need analysis and aid packaging, rather than by refining the definition of financial independence. Curtis (1974), for example, suggests that students and their parents be allowed to choose independent or dependent status. Those qualifying for aid as dependent students, however, would be eligible for larger grants in their aid packages. Hansen (1974) offers a similar proposal. Windham (1974) would drop the distinction between dependent and independent students entirely. He proposes that "basic need" should be based on the fixed "minimum" cost of attending less some contribution from *student* income and assets. Any remaining "basic need" plus other "required" needs (e.g., support for spouse or children) could be met through long-term loans or voluntary parental contributions.[7]

These proposals have the advantage of minimizing the effects of flaws in the current definition, such as its reliance on inadequate (yet burdensome), arbitrary, and unverifiable criteria. They represent, however, a major departure from current approaches because they do not *require* an accounting of resources available to the student from all sources, including parents. Such proposals, then, are inconsistent with the prevailing view that parents retain the primary responsibility for helping to meet the educational expenses of their offspring.

If parents do retain a responsibility for support, the problem is to distinguish more effectively between students who can lay claim to parental support and those who cannot (and must support themselves). How to determine whether (and when) a student has become "truly" independent of parental and family support remains an unresolved issue in existing research.[8] We simply do not know which student households are truly self-supporting. Without clear guidelines from the available research, aid administrators and policy makers have adopted criteria that indicate both a lack of parental support and the existence of a separate, "independent" student household.

7. This two-tiered approach to need assessment has surfaced again in the proposals advanced by Horch and Case (1980) and Heffron (1980).

8. Future research might extend work on the economics of the family (including intra-family economic transfers) to better understand what families *actually* do, i.e., the extent to which they support student education expenses. This would be contrasted with the views of what families *should* do, as expressed in the existing definitions and current or proposed family contribution schedules. See Wagner (1980, 1983).

How might the definition be changed to improve the identification of independent students? A variety of proposals have been advanced.[9] If implemented, these proposals would add to the present definition one or more of the following criteria:

Extended Tax Independence: require applicants to show they were not claimed as a dependent for four years (up from two years in the current definition). Proposals for expanded, verifiable, *direct* evidence of financial independence focus on extending the tax independence requirement to four years, as has been done in California for state aid. The additional, verifiable evidence of the student's financial separation from the parents and family is viewed as a particularly strong indication of financial independence.

Several recent studies document the impact of such a change. In a study completed for the Pennsylvania Higher Education Assistance Authority, Jerry Davis (1981) found that 18 percent of the 1981–82 independent Pell grant recipients were classified as dependent in the previous year. Data collected in a study at the University of California at Santa Cruz imply that 14 percent of the 1979–80 independent financial aid recipients were dependent as recently as two years prior to the current year (Little 1982). Hills and VanDusen (1982) provide data for 1979–80 that indicate a 15 percent difference in the numbers of students (aid applicants *and* nonapplicants) qualifying as independent in California when the federal definition of financial independence and the more restrictive California definition are compared. College Scholarship Service data for 1982–83 California financial aid applicants show a 21 percent difference (Nesbitt 1983).

Age: require applicants to be at least 22 years old. Perhaps the simplest refinement in the definition of financial independence would be the addition of an age criterion. The use of an age requirement follows from the view that older students rely less on parental support than do younger students. In part, this view reflects reality (older students receive little support from parents); in part, it is a subjective judgment (parents should not be expected to support older offspring—whether they wish to or not).

In either case, the added age criterion would be an easily understood and verifiable refinement of the current definition. It has the advantage of simplicity for applicants as well as for aid administrators.

Proof of Self-Sufficiency: require applicants to show evidence of outside income sufficient to support themselves when not in school. One objection to the tri-form definition is that it allows students to be classified as independent without

9. See, for example, White (1982), Little (1981), U.S. Department of Education (1981), and Appendix A.

proving that they have had the financial resources to support themselves in separate households from their parents. A self-sufficiency requirement could be verified through tax returns or records documenting nontaxable income.[10]

Being Married and/or Having Dependents: require applicants to be married or to show evidence of providing for dependents. The presence of a spouse or other dependents is often seen as a reasonable proxy for financial independence because it suggests the existence of an independent household. In fact, current federal law requires married students who wish to be considered independent to pass the tri-form test only for the school year in question, an easier proof than that required of single students. Some observers feel that, at least for younger students, marriage alone should not relieve parents of responsibilities for educational support. The presence of dependents *other* than a spouse, however, might signify a truly independent household. Such a criterion is verifiable using tax returns or other records.

Elapsed Time from High School Graduation: require applicants to be at least four years beyond the date of high school graduation. This criterion has much in common with the age criterion and emphasizes the view that parents, to the extent they are able, should finance the undergraduate education of their offspring. It recognizes, however, that this parental obligation is less when the offspring is an older student than when he or she proceeds immediately from high school to college. Using an age criterion would accomplish about the same thing, however, and would be easier to administer.

In some proposals, one or more of these criteria would *replace* the residence and financial support requirements in the existing definition. This change would remove the provisions in the current definition that most financial aid professionals believe to be unverifiable and difficult to administer. Earlier studies suggest, however, that eliminating the residence and financial support criteria alone would increase the number qualifying as independent by as much as 25 percent.[11]

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10. The requirement, as implemented by some colleges and universities, calls for a minimum level of support. The rule becomes more complicated when applied to parttime or continuing students. Independent students enrolled less than fulltime might be asked to demonstrate income sufficient to support themselves for the portion of time not enrolled (e.g., one fourth of the income requirement for a three-quarter-time student). Students defined as dependent in the previous year could qualify as independent for financial aid if they satisfied the tri-form test and demonstrated the full amount of the self-sufficiency requirement.

11. The estimate comes from Nelson et al (1974). For 1974–75 fulltime students, they find that a relaxation of the financial support and residence criteria would increase the number classified as "independent" by as much as 5 percentage points (a 25-percent increase). Other simplifying modifications (including those who are 21 years of age or older, who delay entry two years, who work at least half-time, or who are married) would increase the number classified as independent by 10 to 20 percentage points (up to a doubling of the existing independent student share).

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The Impact of Alternate Definitions

The following analysis illustrates six possible options for changing the definition of independent students and how the number of such students would change under each option. The analysis describes the effects of each alternative by age group: students under 22, students 22–24, and students 25 and over. It also shows effects by family status, identifying married and unmarried students and those who have dependents (other than a spouse). These divisions make it possible to examine options that apply different definitions to different age groups or that treat students with dependents (other than a spouse) differently from unmarried or childless students. The divisions also make it possible to recombine the various elements into additional options not discussed below.

The options exhibit the range of alternatives that have been proposed and are not necessarily consistent with existing legislative or regulatory practices. Moreover, they illustrate changes in the number of independent students, *not* independent student aid recipients, under different definitions. The number of actual aid recipients will depend on the number of students who apply for help, on the level of aid available, and, most importantly, on the methods of need analysis used to calculate eligibility. If, as some aid officers wish, need analysis becomes less confiscatory for independent students in the future, program costs will not necessarily be reduced by tightening the rules determining who is independent. The critical point is that defining independent students and determining an appropriate need analysis for them are different, though interrelated, problems. How they are dealt with will ultimately affect the number of independent students qualifying for financial aid and the levels of aid they will receive.[12]

The statistical estimates are based on data from responses to questionnaires sent to students in the 1979–80 academic year (U.S. Department of Health, Education, and Welfare, 1980). Surveyed by Applied Management Sciences, Inc., for the Office of Evaluation and Dissemination in the Department of Education, the subjects were selected as part of a stratified random sample that could be weighted to reflect the attributes and choices of the population of all postsecondary students enrolled halftime or more. Respondents provided information on family economic and demographic attributes, attendance and school choices, and educational finances. Details regarding the survey design, instrument, and item nonresponse, and the procedures employed to adjust for response errors, are presented in Appendix B.

Table 4 describes six possible alternatives to the existing tri-form definition. Options 1–3 add requirements to the tri-form test. Option 1 extends the period during which a student would have had to be independent of his or her parents for tax purposes to three years before enrollment as opposed to the one year used in the tri-form test. This is the one option that could not be modelled using the SISFAP data, but an overall estimate of its effects based on California's experience with a similar test in its state program is included. Option 2 adds to the tri-form test a requirement that students be over 21 to qualify as independent.

12. See College Scholarship Service (1983) for a discussion of this point.

Table 4. Alternative Criteria for Defining Student Financial Independence

	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
General Description	Extended tax independence	Tri-form and age requirement	Tri-form and self-sufficiency	Combination of tri-form and Options 2 and 3	Age alone	Option 2 with exceptions where there are dependents
Ages 18–21	Tri-form and 2 additional years of tax independence from parents	All students dependent by definition	Tri-form and $3,000 income in year preceding enrollment ($6,000 for multiperson families)	Tri-form and own dependents (other than spouse)	All students dependent by definition	Own dependents (other than spouse)
Ages 22–24	Same as above	Tri-form	Same as above	Tri-form and (1) own dependents *or* (2) $3,000 income in year preceding enrollment ($6,000 for multiperson families)	Independent by definition	Tri-form *or* own dependents
Ages 25 and over	Same as above	Same as 22–24	Same as above	Tri-form	Same as 22–24	Same as 22–24

Table 5. Changes in the Numbers of Independent Students Under Alternate Definitions—Based on Student Population in 1979–80
(numbers in thousands)

	All Undergrads	Tri-form Definition	Option 1 Tri-form & Extended Tax[a]	Option 2 Tri-form & Age	Option 3 Tri-form & Self-Sufficiency[b]	Option 4 Combination	Option 5 Age	Option 6 Tri-form & Age or Dependents
Total, All Ages	8,653	2,905	2,452	2,457	1,827	2,377	4,058	2,595
Unmarried with no dependents	6,753	1,109		819	632	669	2,359	819
Unmarried with own dependents	542	512		440	170	512	455	542
Married with no dependents	503	431		379	304	344	425	379
Married with own dependents	855	852		819	721	852	819	855
18 to 21 Years of Age	4,595	448		0	162	105	0	123
Unmarried with no dependents	4,394	291		0	116	0	0	0
Unmarried with own dependents	87	72		0	12[c]	72	0	87
Married with no dependents	78	52		0	24[c]	0	0	0
Married with own dependents	36	33		0	10[c]	33	0	36
22 to 24 Years of Age	2,187	779		779	470	594	2,187	790
Unmarried with no dependents	1,801	427		427	277	277	1,801	427
Unmarried with own dependents	154	143		143	38[c]	143	154	154
Married with no dependents	147	124		124	89[c]	89[c]	147	124
Married with own dependents	85	85		85	66[c]	85	85	85
25 Years and Older	1,871	1,678		1,678	1,195	1,678	1,871	1,682
Unmarried with no dependents	558	392		392	239	392	558	392
Unmarried with own dependents	301	297		297	120	297	301	301
Married with no dependents	278	255		255	191	255	278	255
Married with own dependents	734	734		734	645	734	734	734

Notes: [a]Percentage change derived is estimated from California data.
[b]Distributions for all classes estimated from percentage changes in first-year enrollments.
[c]Based on a raw cell count of less than 20.

Sources: All but extended tax—U.S. Department of Health, Education and Welfare, *SISFAP Student Questionnaire Data Base*, tabulations, 1982. Extended tax—Hills and VanDusen (1981).

This option is identical to one proposed in 1982 by the Reagan Administration. Option 3 applies a self-sufficiency test as well as the tri-form requirement: to qualify as independent a student would have to have earned at least $3,000 ($6,000 for multiperson households) in the year before enrolling. Continuing students would be classified as independent if they met the tri-form test and the self-sufficiency requirement or were enrolled as independent students in the previous year.

Options 4-6 illustrate additional ways the definition might be changed. Option 4 is more complex, combining the tri-form, age, and self-sufficiency requirements along with modifications for students with dependents. Option 5 goes to the other extreme in seeking simplicity and easy verifiability. Here, the only criterion for independence is age: students below 22 are dependent and all others are independent. Option 6 modifies Option 2 (the 1982 Administration proposal) by allowing any student, regardless of age, to be independent if he or she has dependents other than a spouse. (Orphans or wards of the court could be given similar treatment; though the effects are not modelled here, the number of students affected would likely be small.)

Table 5 shows the number of undergraduates by category in 1979-80 and the number qualifying as independent under the tri-form test. It then shows how many students would have been independent if Options 1-6 had been in place instead.

Several general observations are suggested by these results:

- Option 1 (extended tax independence) would probably affect mostly 18-21 year olds, though there would undoubtedly be some impact on older students as well. Overall, the effect is not very different from that of an age test (Option 2).

- Option 3, which involves a test of financial self-sufficiency, reduces independent student numbers by the largest amount. Almost 500,000 students with their own dependents—including 270,000 above age 25— would fail this test, even though they currently qualify as independent on the tri-form test.

- Option 4, which combines self-sufficiency and other criteria, is complex and does not produce overall results much different from simpler options like 1, 2 and 6, though subgroups of students would be affected quite differently by the different options.

- Age alone (Option 5) is the simplest test and easiest to verify, but would cause the number of independent students to increase markedly.

- Option 6 modifies the age test in Option 2 (the 1982 Administration proposal) to allow any student with dependents other than a spouse to qualify automatically as independent. This would increase the number of independent students by 138,000 over Option 2, with most of these in the 18-21 group. Without this modifi-

cation the age test would count as dependent about 100,000 18–21 year olds who have dependents of their own and who qualify as independent under the tri-form test. As Table 5 shows, almost all undergraduates over 21 with dependents already qualify as independent under the tri-form test. That test, however, is less easily verified and requires more information from the student than a test that looks only at age and the presence or absence of dependents.

Conclusions

As budgetary pressures mount, policy makers and institutional administrators must look for ways to allocate student aid resources more effectively and equitably. At least part of the pressure on scarce funds has come from an increase in the pool of independent students applying for and receiving financial aid. As a result, several proposals have emerged that are intended to define more clearly those who are "truly" independent, to minimize the potential for abuse and manipulation of the current definition, and to distribute more equitably the limited supply of funds between independent and dependent students.

With these concerns as a backdrop, this paper has evaluated the impact of the current criteria and proposed alternatives for defining financial independence.

The current definition represents a crude attempt to gauge the extent of parental support. How effective the definition is in excluding those who can and normally would depend on their parents is simply not known. Barely 10 percent of the pool of independent students in the 1979–80 academic year was under 22 years old and single, with no dependents. This small share suggests that the current definition may be effectively limiting independent student status to those likely to be self-supporting. Moreover, census and financial aid data show steady increases in older independent students, a population usually viewed as "truly" independent. It seems clear, then, that part of the "independent student problem" must be how to accommodate a student population that is becoming increasingly independent under any definition. This raises the question of whether parents should be expected to provide financial support after their student offspring reach a certain age. Should we, for example, expect support for students 25 years of age or older?

Another age-related concern is the recent growth in the number of independent students from young, traditionally dependent age groups. Some of this growth may be a response by young, "truly" independent students to reduced employment opportunities and increased eligibility for larger amounts of student financial aid. But some students may be artificially establishing financial independence, even though they could expect support from their parents, in order to obtain larger student aid awards. Whether such manipulation occurs, of course, depends on whether the incentives for changing dependency status are sizable. With respect to the Pell grant program, they may be. But students receive assistance from other programs. What is not known is the extent to which independent students fare better (or worse) in the allocation of campus-based, state, and private aid.

Our analysis attempted to show how alternate criteria for financial independence affect the numbers and attributes of students who qualify. Two broad conclusions merit emphasis. First, definitions that *reduce* the existing triform criteria (e.g., drop the residence or financial support requirements) or *exempt* subgroups (e.g., allow those over 21 or 24 to claim independence) would enlarge the pool of independent students considerably. Under current budgetary constraints, these simplifying changes seem feasible only if accompanied by addi-

tional, if more readily verified and administered, requirements in the definition of financial independence.

Second, *adding* criteria to the tri-form test—extended tax independence, age, or self-support—would reclassify as dependent relatively large numbers of student parents and older students, who are usually viewed as truly independent of their parents. We present an alternative which defines as independent: a) students who are at least 22 years of age *and* satisfy the tri-form test, and b) students who have their own dependents, regardless of age or other factors. This alternative results in a 10 percent drop in the total number qualifying as financially independent, with the largest reduction among students under 22 who have no dependents.

These conclusions should be taken as suggestive of the effects of changing the definition of financial independence. The composition of the undergraduate student pool continues to shift. In addition, it is possible that changes in the definition of independence could influence enrollment behavior. We have not tried to estimate such effects. Clearly, some potential students will simply not enroll if they are unable to qualify as independent. Others may still enroll, perhaps parttime at a low-cost community college. Such changes would take place gradually, as students and their families adapted to the new rules.

Given the mounting pressures to solve the "independent student problem," a wider, informed discussion of the effects of specific alternatives as well as the underlying issues seems appropriate and timely.

Appendix A:
Eleven Options Proposed by the Department of Education, December 1981

Option 1: Maintain existing definition (the tri-form test) and rules about years to which it applies (year preceding enrollment and year of enrollment).

Option 2: Maintain existing definition but apply it only to year preceding enrollment.

Option 3: Modify tri-form test to eliminate residence and parental support rules and apply tax dependency test only in year preceding enrollment.

Option 4: Validate independent student status. This option would be considered along with the adoption of options 1, 2, or 3. In addition to the present validation of applicant information falling outside of the edit check parameters, validation procedures would be required for a five to ten percent random sample of independent students qualifying for Pell Grant and campus-based aid and those qualifying only for campus-based aid.

Option 5: Adjust need analysis for independent students to reflect the lower income offsets that were in effect before the passage of the Middle Income Student Assistance Act of 1978.

Option 6: Apply tri-form test in year of enrollment and *two* prior years.

Option 7: Apply tri-form test in year of enrollment and *three* prior years.

Option 8. Forbid students to change from dependent to independent status while maintaining fulltime enrollment in postsecondary education.

Option 9: Allow only students over a certain age (e.g., 21, 25, 30) to be considered independent, with the possible exceptions of students who are married, married with dependents other than a spouse, and/or wards of the court or of deceased parents.

Option 10: Require an independent student to demonstrate self-sufficiency in that (s)he has lived independently of any outside source, with the possible exception of public assistance, for a certain period of time.

Option 11: Allow no student to claim independence prior to four years after his or her high school graduation date, with the possible exceptions of students who are married, married with dependents other than a spouse, and/or wards of the court or of deceased parents.

Source: U.S. Department of Education, Office of Student Financial Assistance, "The Independent Student Issue," *The Bulletin*, December 1981.

Appendix B:
Data Sources, Estimation Procedures, and Reliability of Estimates

The data presented in this paper come from several published and unpublished sources. This appendix contains a description of each source, including the populations covered, definitions used, and necessary simplifying assumptions and adjustments.

Census: Current Population Surveys

The Current Population Surveys (CPS), conducted several times each year by the U.S. Bureau of the Census, collect economic, educational, and demographic information from representative samples of the population. The October CPS collects data on school enrollment. The March CPS collects detailed information on educational attainment.

The basic trend data employed in this report are drawn from published data from the October surveys in the years specified. The data in the published reports are limited in four respects.

1. Enrollments in noncollegiate postsecondary schools are specifically excluded. These institutions enroll about 12 percent of all independent students.

2. Detailed enrollment characteristics of students 35 years old and over are not presented. These enrollments account for perhaps one fifth of the independent student population.

3. None of the tables in the School Enrollment CPS series provides sufficient detail to obtain estimates of the "potential undergraduate" student pool, i.e., those who have completed high school but not four years of college. The "potential undergraduate" estimates in the paper have been obtained by applying the proximate shares of the identified age and family status groups who meet the "potential undergraduate" criteria (from the Educational Attainment CPS series) to the population estimates given for October.

4. As discussed in footnote 4, the Census does not collect the information necessary to determine independence for the purposes of awarding financial aid. However, students can be identified by their reported family statuses. Among 18 to 24 years olds, the data identify three groups: "primary family members," who are not currently married; "married," both in a parent's family or in their own households; and residuals, those neither in a primary family nor married. "Primary family members" would include single children residing with their parents (clearly a dependent group). However, they would also include single parents (probably independent). At best, these divisions are suggestive of independent student status.

The emphasis on trends, within specified groups, greatly minimizes the effects of these limitations and adjustments. The substance of the discussion would

probably not be much different had more precise measures of the student pools been available.

Finally, while the Census data are used as casual, suggestive evidence of trends, we do have some indication of the reliability of the estimates shown in the tables. According to the Census publications, the standard errors of the sample estimates range 1-3 percent (varying by population and characteristic examined). If the sample estimates differ from the true population figure by as much as one standard error, the percentage change estimates shown in the tables may be off by as much as 5 points.

Student Surveys: HEW, 1980

Applied Management Sciences (AMS) conducted and designed Phase III of the U.S. Office of Education's "Study of the Impact of Student Financial Aid Programs" (SISFAP III) in the winter and spring of 1979 to evaluate the ability of institutional and federal administrative policies and practices to fulfill the legislative goals associated with the student assistance programs. AMS designed a 1980 study to replicate this baseline study and, further, to assess the impact of the Middle Income Student Assistance Act of 1978 (MISAA). Both efforts employed two data collection instruments: (1) the student questionnaire and (2) the record review form (field personnel transcribed data from financial aid records for each recipient in the sample). Although the record review form maintained a 100% completion rate, it collected data for *aid recipients only;* therefore, the student questionnaire data was used for this study.

The estimates within each subgroup have been obtained by reweighting the samples. We estimated the total enrollments within each of 80 cells (five institutional sectors by fulltime or parttime by sex by four racial/ethnic categories). The estimated figures for the 1979-80 academic year, derived from Census and NCES data, are shown in Table B-1. The number of respondents with no missing data elements was generated for each of the cells (Table B-2). When the estimated enrollments were divided by the numbers in each cell, the appropriate weight for a respondent in that cell was obtained. The weights are shown in Table B-3. Finally, after selecting independent students and excluding the cases missing various marital and household information, we adjusted the weights according to the probability of a (weighted) respondent receiving financial aid within each institutional sector. The financial aid adjustment factors for 1979-80 are found in Table B-4.

Since the SISFAP data base does not contain information on the dependency status in prior years, we obtained the self-sufficiency estimates with a two-step procedure. First, the self-sufficiency requirement was applied for first-year students only. The estimated percentage reduction in the numbers qualifying in the first year was then used to estimate the decrease for all undergraduate students. We are assuming that, once this requirement is fully phased in, the drop in first-year enrollments will be matched in the second-, third- and fourth-year classes. This assumption probably leads to an overestimate of the decline in student

Table B-1. Enrollment Estimates, 1979–1980
(in 000's)

	Pub. 4	Pub. 2	Priv. 4	Priv. 2	Prop./voc.
Full Time					
Male					
White	1,621	485	652	57	173
Black	149	84	60	10	25
Hispanic	54	42	21	4	13
Other	49	36	20	4	10
Female					
White	1,385	469	598	61	222
Black	193	105	84	14	29
Hispanic	49	41	21	6	16
Other	44	37	18	5	13
Part time (More than half but less than full)					
Male					
White	223	288	59	13	136
Black	19	35	5	2	19
Hispanic	9	26	2	1	10
Other	8	22	3	1	8
Female					
White	139	374	71	8	106
Black	17	4	8	1	14
Hispanic	4	26	2	6	8
Other	4	24	3	7	6

Table B-2. Unweighted SISFAP Enrollments, 1979–1980

	Pub. 4	Pub. 2	Priv. 4	Priv. 2	Prop./voc.
Full Time					
Male					
White	1,127	376	1,054	148	52
Black	87	46	94	15	17
Hispanic	56	36	30	4	0
Other	45	47	30	2	2
Female					
White	1,382	452	1,136	299	260
Black	184	103	205	13	83
Hispanic	61	31	30	12	20
Other	39	53	44	2	12
Part Time (More than half but less than full)					
Male					
White	93	88	39	[illegible]	9
Black	11	12	5	1	0
Hispanic	3	5	2	0	0
Other	4	10	3	2	1
Female					
White	116	99	58	25	38
Black	19	18	17	3	8
Hispanic	7	13	1	1	6
Other	3	11	3	1	5

Table B-3. Enrollment Weights, 1979–1980
(× 1,000)

	Pub. 4	Pub. 2	Priv. 4	Priv. 2	Prep./voc.
Full Time					
Male					
White	1.44	1.29	0.64	0.39	3.33
Black	1.71	1.83	0.64	0.67	1.47
Hispanic	0.96	1.17	0.70	1.00	13.00
Other	1.09	0.77	0.67	2.00	5.00
Female					
White	1.00	1.04	0.53	0.20	0.85
Black	1.05	1.02	0.41	1.08	0.67
Hispanic	0.80	1.32	0.70	0.50	0.80
Other	1.13	0.70	0.41	2.50	1.08
Part Time (More than half but less than full)					
Male					
White	2.40	3.27	1.51	2.60	15.10
Black	1.73	2.92	1.00	2.00	19.00
Hispanic	3.00	5.20	1.00	1.00	10.00
Other	2.00	2.20	1.00	0.50	8.00
Female					
White	1.20	3.78	1.22	0.32	2.79
Black	0.90	0.22	0.47	0.03	1.75
Hispanic	0.57	2.00	2.00	0.60	1.33
Other	1.33	2.18	1.00	0.70	1.20

Table B-4. Financial Aid Adjustment Factors, 1979–1980

Aid Recipients

$$\text{Calculated as: } \frac{\text{BEOG recipients in universe}}{\text{Weighted BEOG recipients in SISFAP}} = \frac{B}{B_1}$$

	Pub. 4	Pub. 2	Priv. 4	Priv. 2	Prop./voc.
Dependent	0.67	1.17	0.41	0.22	0.98
Independent	0.80	1.01	0.69	0.58	1.52

Nonrecipients of Aid

$$\text{Calculated as: } \frac{\text{Weighted SISFAP total} - (\text{Weighted SISFAP aid recipients} \times \frac{B}{B_1})}{\text{Weighted SISFAP total} - \text{Weighted SISFAP aid recipients}}$$

	Pub. 4	Pub. 2	Priv. 4	Priv. 2	Prop./voc.
Dependent	1.52	0.77	1.91	2.16	1.03
Independent	1.27	0.99	1.41	1.40	0.24

numbers, since students previously defined as dependent could stop-out, meet the self-sufficiency requirement, and return to school as qualifying independents.

Second, we estimated the numbers still qualifying within the subgroups. Our approach was, first, to apply the percentage change in the distribution of first-year students by subgroup to the *distribution* of all undergraduates within each group. But one further adjustment was required. Students move from one subgroup to another as they persist in school—younger to older age groups, two-year to four-year colleges. As a result, when the revised distributions within a category are applied, the total for the category exceeds (or falls short of) the total for the entire population. So, where the percentage changes, based only on first-year enrollments, yielded over- or under-estimates of the total number qualified within a given category, the over- (under-) estimate has been deducted (added) to the subgroups within each category according to their original share of the total.

Appendix C:
Supplementary Tables

Table C-1. Changes in Pell (Basic) Grant Applicants by Age and Dependency Status: 1976 to 1980

	Percent Change	
	1978 to 1980	1976 to 1978
Total, all years	+32.4%	+1.0%
19 years or less	29.9	−3.3
20 and 21 years	29.4	2.4
22 to 24 years	32.0	.9
25 to 29 years	35.3	−1.8
30 years and older	47.2	19.9
Independent, all years	+42.5%	+1.1%
19 years or less	53.3	−5.5
20 and 21 years	45.5	−7.8
22 to 24 years	38.1	−4.6
25 to 29 years	37.6	−3.0
30 years and older	48.2	21.5

Source: U.S. Department of Education, Bureau of Student Assistance, *Pell Grant National Summary Statistics: Academic Year 1980-81* (and earlier years), unpublished tabulations (1982).

Table C-2. Mean Age of CSS Undergraduate Financial Aid Applicants by Year in School and Dependency Status: 1976 to 1981

	Average Age					
	81-82	80-81	79-80	78-79	77-78	76-77
Dependent Undergraduates	19.5	19.9	18.9	19.6	19.5	19.0
Freshman	18.9	18.9	17.9	18.5	18.6	18.5
Sophomore	20.0	20.0	19.0	19.7	19.6	19.6
Junior	21.0	21.0	20.1	20.7	20.6	20.7
Senior	22.0	22.0	20.9	21.6	21.5	21.6
Independent Undergraduates	26.6	26.6	25.5	26.4	26.4	26.4
Freshman	27.3	27.1	26.0	26.8	27.0	26.9
Sophomore	26.9	26.7	25.6	26.7	26.5	26.4
Junior	26.2	26.2	25.3	25.9	26.0	26.0
Senior	26.1	26.1	25.1	25.8	25.7	25.8

Source: College Scholarship Service, *National Summary Data: 1981-82* (and earlier reports), 1982.

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Mr. GLADIEUX. You have requested our response to these two questions, the extent of abuse and how do we change the definition. Let me just make very brief background comments and then turn to those two questions. The bedrock of the student aid system since the 1950's has been the assumption that parents have the primary obligation to pay for their children's higher education.

No one argues that that obligation lasts indefinitely but where to draw the line is the question. Really we come to a philosophical and subjective policy issue more than an analytical. At what point or under what circumstances should parents be viewed as having no further responsibility for their offsprings' education. Much is at stake. I think there are some potential tradeoffs with Federal cutoffs and generally less student aid money to go around. The amount of aid awarded to students who are treated as self-supporting is determined solely on the basis of their own income and assets.

If students whose parents could reasonably be expected to help pay college costs are able to take advantage of aid programs by qualifying under self-supporting definitions, less money will be available for legitimately needy, dependent and independent students.

What are the perceived flaws in the Federal definition? The Federal definition has three parts. The first two parts of the test, financial support and residence, are difficult to verify and can be easily circumvented. In-kind support from parents and gifts from friends and relatives, for example, can simply be overlooked.

As for the income tax criterion, families that choose to do so can give up the exemption for the otherwise dependent student member and in most cases the greater tax liability will be more than offset by the student's increased eligibility for student aid on the self-supporting basis and families that have not planned ahead in this way can file amended tax returns after the fact to capture the same calculated benefits. Well, because of these potential tradeoffs and the perceived loopholes in the current definition, there are already two results in practice that I would like to point to.

First, because of a widespread perception that the Federal rule is too permissive, the lid has been kept on the amounts of aid awarded to students who do qualify as independent students because the aid community policymakers in general have wanted to avoid providing greater incentives for dependent students to declare independence.

Yet, existing need analysis systems are apparently too harsh on independent students. Congress called for changes in this regard when it passed the Education Amendments of 1980 and there has been growing sentiment in the aid community that the treatment in need analysis of independent students should be liberalized, but by and large these reforms have been held off. Thus, truly independent students are perhaps being penalized in terms of the amount of aid they receive because of apparent problems in the definition of independent status.

The second result, and there are several State representatives on the panel so I won't spend time on this, but the second result of the perceived problems is that a growing number of States and institutions have adopted stricter criteria for determining self-supporting

status under their own student aid programs, regardless of the Federal definition.

Of the 10 States operating the largest need-based scholarship programs in the country, seven now require a tighter demonstration of independence than is necessary under Federal rules. The subcommittee will hear from one of those States, Pennsylvania, in a moment and an aid State, Illinois, is also represented today.

Now let me turn to the college board study, which we initiated over 1 year ago to review available national data that might suggest the extent of the problem and inform the search for improved definition. Our aims were to estimate who is qualifying as independent under the current rules and who would be affected by various options for change.

Now there are two limitations in the data that are important to note: First, they are drawn from a federally sponsored sample survey of students enrolled in 1979–80. There is almost always a lag of a few years in the availability of such representative national data. The drawback, of course, is that we can't take account of very recent trends.

Second, the survey data are limited to undergraduate enrollments. It does not cover post-baccalaureate students. In the final analysis, the subcommittee may conclude that separate criteria are necessary and appropriate to determine self-supporting status for undergraduate and graduate students instead of the combined definition that we have under title IV now. Our study doesn't speak to that question directly.

Now let me turn to the two questions that you posed for this hearing, based on our study and our review of other available evidence.

On the extent of abuse. No available national data can firmly ascertain to what degree the current definition of independent status is being circumvented, contrary to the spirit, if not the letter of Federal policy. That is, students and families making calculated financial arrangements to qualify for more aid. There is no way to ascertain that.

We can only draw inferences from data on trends in the number of characteristics of students classified as self-supporting. The number of students classifed as independent under all aid programs under the Federal definition has grown rapidly in recent years. We know the large source of growth in the number of such students is the increased enrollment of adults. Patterns of postsecondary enrollment are becoming more complicated in the 1980's and that is part of the reason for the growth in independent students.

But part of the growth is also coming from the younger traditional college-age groups, 18 to 21 and ages 18 to 24. One can infer from the data that there is a problem and that it is not insignificant. Also recent developments not reflected in currently available national data, again, may be accelerating the trend toward independence at the younger age levels.

It is worth noting in this regard that a new and potentially strong incentive for middle to upper middle income students to declare independence has been in effect in 1981. In that year, Congress imposed a $30,000 family income cutoff with a need test re-

quired above that level for Guaranteed Student Loans. The flat income cap permits virtually all students who claim to be financially independent of their parents to qualify for subsidized loans regardless of what other resources they might have available.

Data on recent borrowing patterns in New York State may reflect the results of this situation. The dollar volume of GSL declined by an estimated 13 percent in New York in 1982-83 as a consequence of the Federal imposition of the $30,000 income cutoff. The number of borrowers, however, in the income category below $10,000 jumped by an estimated 25 percent. The pattern may well have resulted from substantial numbers of students declaring themselves to be financially independent of their parents to qualify for the program.

Whatever the extent of the abuse, what should be the Federal response? One possibility is for the Federal Government not to make a change but to let States and institutions make adjustments on their own as they have been doing.

My own view is that there is a compelling case for revision of the Federal criteria, if only in the interest of consistency. No one, certainly not students, will gain by the proliferation of 50 different State definitions as well as a number of institutional variations. Continued movement in this direction will only complicate student aid application forms and the coordination of Federal, State, and campus programs.

Our study analyzed various possibilities for tightening up the current definition, some of which have already been implemented by States and institutions. The possibilities include extended tax independence which Linda Berkshire mentioned a moment ago in the testimony from the National Coalition.

Another is age. The second possibility is the most easily understood straightforward and verifiable addition that could be made to the current definition in age criteria. Indiana and New York, for example, require that all students under age 22, with certain limited exceptions, apply as dependent students.

A third possibility is proof of self-sufficiency. A major objection to the Federal definition is that it allows students to be classified as independent without evidence that they have established a pattern of self-supporting behavior. A self-sufficiency test would require students to document through tax returns or records of nontaxable income that they have had the financial resources to support themselves in households separate from their parents.

Finally, the status of being married or having dependents is a verifiable circumstance and the presence of a spouse or other dependents might be taken as a reasonable proxy for financial independence.

Now, to be specific in answer to your question about how to change the definition. We suggest the following combining several of the foregoing concepts. Switch to an age—this is on page 10 of the written testimony—switch to an age criterion for those under age 22—all under age 22 would be considered automatically dependent—and to an age criterion for students 25 and over; they would all be considered automatically independent and then limit the requirement of the current three-part Federal definition or an extended version of it to 22- to 24-year-old.

Exceptions to the blanket assumption of dependents under age 22 could be made for orphans and wards of the court, students who have dependents of their own and perhaps other categories. The several States that have moved in this direction of an age criterion have various combinations of exceptions.

This approach would offer many advantages, in my view, easing the administrative burden, just automatically saying that large groups of students under 22 and over 25 are one status or the other, while at the same time increasing verifiability. Age is an extremely verifiable easily verified criterion. Symbolically, it would also reinforce the assumption of parental responsibility through at least the traditional ages spanning undergraduate education.

Finally, Mr. Chairman, my final comment is that in my view, this would read out of the programs the students who may be abusing the program now from middle- and upper-middle-income levels. It would not adversely affect low income and the neediest students. Those students already qualify under dependent student criteria on the basis of full need.

I commend this suggestion to the subcommittee. There are other ways to go. This is one that I hope will help in your deliberations. I would be glad to answer questions to amplify.

Mr. SIMON. Thank you. We have a roll call over on the floor now and we are going to have to take a brief break and we will resume the hearing shortly.

[Brief recess.]

Mr. PENNY. Chairman Simon had some other business to take care of. He will be here shortly, but we want to proceed with those witness list. The next on the list is Keith Jepsen of the Illinois State Scholarship Commission.

Mr. Jepsen.

[Prepared statement of Larry E. Matejka follows:]

PREPARED STATEMENT OF LARRY E. MATEJKA, EXECUTIVE DIRECTOR, ILLINOIS STATE SCHOLARSHIP COMMISSION

Mr. Chairman, members of the subcommittee, I am Keith Jepsen, Deputy Executive Director, and I am presenting testimony for Larry Matejka, Executive Director of the Illinois State Scholarship Commission. I am pleased to appear before you today to present testimony on the issue of independent students.

BACKGROUND

The question of how to define independency for purposes of student financial aid has been reviewed over a long period of time. The problem in developing a definition to suit the purpose of aid programs has been to develop some form of classification which will clearly indicate that a student is not dependent on his or her parents, or shouldn't be expected to be, for financial support. Because of the high demand on aid program funds for assistance in recent years, attention has again focused on the independent student definition and possible abuse of that definition in order to become eligible for assistance or greater amounts of assistance.

A significant amount of state funds in Illinois are used to support independent students in paying their college tuition costs. The Illinois State Scholarship Commission's Monetary Award Program is one of the largest state grant programs and during this year, 1983-84, will provide a total of $104 million to just over 100,000 Illinois residents. Of those eligible to receive grants, roughly 40 percent are classified as independent students. Illinois uses the same definition used by the federal government. The minimum grant to eligible students is $240 and the maximum will cover public tuition and fee costs or up to $2,200 at private institutions.

Therefore, the discussions about the current independent student definition and proposed revisions to that definition are of great importance to the Illinois program.

STUDY OF INDEPENDENT STUDENTS IN ILLINOIS

Our interest in this area was rekindled last spring by renewed efforts to change the definition of the independent student. The attached study resulted from those proposals and our analysis of them.

The proposal by the Department of Education, that of requiring a strict age limitation—anyone under 22 years of age had to file as independent, was met with opposition. The primary concern was that some students who are legitimately self-supporting at an earlier age would be denied access to higher education. The Department's follow-up proposal later this spring included five categories of students who by the nature of their categorization would be required to meet specific criteria for varying periods of time in order to be considered independent. Our initial reaction was that this more complex method of trying to determine "true" independency, while appropriately targeted, would result in a more complex application form and was something we wanted to measure for changes in status on Illinois residents who apply for Pell Grants.

Consequently, in early June our staff sought to identify Illinois Pell Grant applicants who changed their dependency status from dependent to independent between the years of 1981–82 and to analyze the impact this change had on Pell Grant eligibility for Illinois residents.

METHODOLOGY

The group studied consisted of Illinois Pell Grant applications during the years 1980–81, 1981–82, and 1982–83. The data for the applicants was taken from the Illinois Pell Grant State Agency Tapes for those years. Using the tape data, applicants were classified into the appropriate proposed category set forth by the U.S. Department of Education in their new proposed definition. Those categories included: (1) veteran; (2) married non-veteran; (3) unmarried non-veteran over 21; (4) unmarried non-veteran under 22 with dependents; and (5) unmarried non-veteran under 22 without dependents.

Dependency status changes were easy to determine by matching students who applied as dependents the prior year with those who applied as independents for 1981–82 and 1982–83 and recording the changes for matches.

To analyze the impact of the change in dependency status, Pell Grants were estimated for students both as dependents and as independents. To estimate the amount of the grant, the Student Aid Index was subtracted from $1,670, the maximum Pell for all years studied. The college budget or cost was determined for two groups of students. For students who applied to institutions eligible to participate in the state grant program, the budget was calculated by adding actual tuition and fees, room and board, and $400. For state grant applicants at non-residential institutions, the budget was equivalent to tuition and fees, $400, and the $1,100. These two budgets were applicable for 60 percent of the total Illinois Pell applicants who also applied for state grant eligible institutions. The other 40 percent of Pell applicants applied for Illinois schools not eligible for state grants. Those budgets were set at $3,600.

For attrition purposes, the institutional state grant attrition figure was used in determining how many eligible Pell applicants actually used and created payout for the Pell Program. For the other 40 percent of the applications, a 35 percent attrition figure was used to calculate actual payout.

RESULTS

Our first concern was to determine how many students changed their dependency status bewteen specified application years. We found that between 1980–81 and 1981–82, 4.2 percent or 5,824 students changed from dependent to independent. The second question was the impact on the Pell Program. That change resulted in an increase of $1.9 million in Pell Grants to Illinois independent students. (From $4.8 to $2.9 in the group making the change). Similarly between 1981–82 and 1982–83, 4.4 percent or 5,799 changed from dependent to independent at an increased cost of $1.8 million (from $4.9 to $3.1 million for this group).

Other observations which we were able to make include the following:

1. The percentage of independent applications in Illinois had increased from 39 percent in 1980–81 to 41 percent in 1982–83. This is about five or six percent below the national average.

2. Under the U.S. Department of Education proposal for the independent student, 88 percent (94,654) of the Illinois students who applied as independents in 1982–83

for Pell Grants would not have their dependency status changed. In other words, they would continue to be treated as independents.

3. The category of students affected is that of the unmarried non-veterans under age 22 with no dependents. This group represented 12 percent of the 1982-83 independent students. They would be required to meet the proposed three-part independent student definition for two prior years and the current award year for 1984-85 and for three prior years and the award year, thereafter.

4. The largest increase in eligibility because of dependency changes was received by students classified as unmarried non-veterans under age 22 with no dependents. Of the total $1.9 million increase resulting from changes in 1981-82, $1.3 million was attributed to this group of the total $1.8 million increase in 1982-83, $1 million was attributed to this group.

5. So while this group represented 12 percent of the total independent student group receiving payments in 1982-83, they represented 75 percent of the increase in payout as a result of switching their status from dependent to independent.

ISSC RECOMMENDATION

The primary concern for changing the definition of independence is perceived abuse of the current definition by parents and student who switch dependency status to increase their eligibility for federal student aid. Our study has shown this this group is the one with the most impact on the program by virtue of changing status. We also note a concern for students who upon graduation are truly without any support from their parents for one reason or another. We have also taken into account the changes which would be required on the application forms in order to determine independent status by the proposed definition put forth now by the Department of Education. As a result, we recommend that unmarried non-veterans under the age of 22 without dependents, be prohibited from changing their status from dependent to independent after they have made an initial application. Further, that the current three-part definition now used on the financial aid application forms continue to be used for all other students.

Marital status, veteran status, age, and number of dependents can already be determined from the data collected on the forms. Since the Department of Education has a cross-year system, this could be used to monitor any attempts to change dependency status. No new system would have to be developed.

As indicated earlier, this particular group of students by changing dependency status for 1982-83 resulted in an increased estimated Pell Grant payout in Illinois of about $1 million. If the ISSC proposed definition had been in effect for both 1981-82 and 1982-83, the savings would have been approximately $2.3 million. After three or more years, the difference would be expected to $3 to $4 million or 3 percent of the total Pell payment to Illinois applications. We would further anticipate that if applied to other states, the expected savings would be from $70 to $90 million annually after the first three years.

While some exceptions would need to be considered, perhaps under the Special Conditions, Form, for considerations such as death of parents, we would recommend our proposal as one which disallows higher income families from transferring family responsibility for paying college costs to the federal government, and at the same time reduces internal administrative costs and permits a less complex application form for all students.

ILLINOIS STATE SCHOLARSHIP COMMISSION

525 W. Jefferson, Suite 111 — Springfield, IL 62702 — 217/782-6767

June 16, 1983

Mr. Brian Kerrigan
Basic Grant Policy Section
Office of Student Financial Assistance
U. S. Department of Education
Room 4318 R.O.B. 3
400 Maryland Avenue, S.W.
Washington, D.C. 20202

Dear Mr. Kerrigan:

This is in response to ED's invitation to comment (May 23, 1983 Federal Register) on the proposed 1984-85 definition of independent student. We oppose the definition and are suggesting a substitute procedure (see attached) that is:

- much less complex,
- less costly for all parties involved in delivery systems, forms, etc.,
- saves several million Pell Grant dollars in Illinois and approximately $70-90 million nationally, and
- affects only the 5% of Pell Grant applicants which are ED's apparent target (and likely only 3 out of 5 of these 5%).

The ISSC recommendation is to add one simple edit check in the ED Pell Grant automated cross-year edit system. The new edit would prevent calculation of a Student Aid Index for students switching status from dependent to independent between two school years.

Feel free to contact me if you or anyone at ED has questions or comments.

Sincerely,

Steve Cameron

Steve D. Cameron
Assistant to the Executive Director for
Management and Operations Research

SDC/bn

U.S. DEPARTMENT OF EDUCATION
INDEPENDENT STUDENT DEFINITION
ISSC ANALYSIS AND RECOMMENDATION

EXECUTIVE SUMMARY

The independent student definition has been an issue in student financial aid for a number of years. Recently, the interest in the definition has been heightened by diminishing student financial aid dollars and a national interest in preventing waste, fraud, and abuse of government programs. Many campus officials agree that the government should discourage independence-of-convenience, which allows students to declare themselves independent in an attempt to increase their eligibility for student financial aid. ISSC is suggesting a much less complex but equally effective definition to address the 5% of the independent applicants at issue.

ED PROPOSAL

In the Federal Register, dated May 23, 1983, the Department of Education has proposed a modification in 668.1a (the independent student definition). The proposed independent student definition categorizes independent students into five groups and requires independent students to meet the current independent student definition for different periods of time.

ED Proposed Independent Student Definition

Type	Calendar year of Award Year	One Prior Year	Two Prior Years	Three Prior Years
1. Veteran	X			
2. Married	X			
3. Unmarried non-veteran over 22	X	X		
4. Unmarried non-veterans under 22 with dependents	X	X		
5. Unmarried non-veterans under 22 without dependents				
a. 1984-85	X	X	X	
b. 1985-86	X	X	X	X

ANALYSIS

The Illinois State Scholarship Commission analyzed the proposed independent student definition and its impact on Illinois Pell Grant applicants. In 1982-83 108,123 or approximately 41 percent of the Pell Grant applicants from Illinois were independent students. The tables attached indicate that in 1982-83 26 percent of the independent applicants were veterans and/or married,

57 percent were unmarried non-veterans over 21 years of age, 4 percent were unmarried non-veterans under 22 with dependents, and 12 percent were unmarried non-veterans under 22 years of age without dependents. The proposed independent student definition would require 65,784 or 61 percent of the independents (unmarried non-veterans over 21 or under 22 with dependents), to meet the current definition for one prior year and the first calendar year of the award year. Under ED's approach beginning in 1984-85 13,469 or 12 percent of the independent non-veterans under 22 without dependents would have to meet the current definitions for two prior years and the calendar year of the award year. In 1985-86 ED's definition requires the same group of students to meet the criteria three prior years and the calendar year of the award year. The total number of Illinois applicants which would be required to prove dependency for years prior to the calendar year of the award year using the proposed independent student definition would be approximately 79,000 or 73 percent of the current independent students.

ISSC PROPOSAL

Since the primary concern is to prevent students from declaring themselves independent in order to qualify for more financial aid, the ISSC proposes that unmarried non-veterans under 22 with no dependents be prohibited from switching dependency status. Exceptions could be allowed via the Special Condition application. The current independent student definition should continue to be used for other students.

ISSC Proposed Independent Student Definition

Type	Treatment
1. Unmarried non-veterans under 22 without dependents	Prohibit switch in dependency status (from dependent to independent)
2. All other independents	Maintain current independent student definition

ANALYSIS

In 1982-83, 5,799 of the 108,123 Illinois independents switched their dependency status from dependent in 1981-82 to independent in 1982-83. These 5,799 students increased their Pell Grant eligibility by 58 percent from $3.1 million to $4.9 million. Prohibiting the 2,465 unmarried non-veterans under age 22 without dependents from switching their dependency status in 1982-83 would have saved approximately $1 million in estimated Pell Grant payments. If the definition had been in place for three or more years the savings could have reached $3 to $4 million or approximately 3 percent of the total Pell Grant payment to Illinois applicants. Nationally with a $2.4 billion appropriation the ISSC proposal will save between $70 to $90 million each year.

Since all of the data elements are already collected to determine marital status, veteran status, dependents, and age, the current financial aid applications would not have to be expanded to implement the ISSC proposed independent student definition. A cross-year edit check in the Pell Grant system (to check for a change in dependency status) would have to be developed to identify unmarried non-veterans under 22 without dependents who

applied as dependents in a prior year and are now switching their dependency status to independent. The proposed definition would prohibit students from declaring themselves financially independent to increase their eligibility for financial aid.

RECOMMENDATION

ED should not implement the May 23 proposal. Instead ED should add an additional edit to the cross-year system, beginning in 1984-85 to prevent unmarried non-veterans under age 22 with no dependents from switching dependency status from dependent to independent.

TABLE 1
Illinois Pell Grant Applicants

	80-81		81-82		82-83	
	#	%	#	%	#	%
Independent	87,724	39%	86,639	39%	108,123	41%
Dependent	138,755	61%	132,809	61%	156,642	59%
Total	226,499		219,448		264,765	

TABLE 2 16:46 MONDAY, JUNE 6, 1983
ILLINOIS STATE SCHOLARSHIP COMMISSION ANALYSIS OF
NUMBER OF ILLINOIS PELL GRANT APPLICANTS AFFECTED BY
MAY 23, 1983 ED PROPOSED 84-85 INDEPENDENT STUDENT DEFINITION

TYPE	IL INDEPENDENT PELL APPLICANTS 1980-81	PERCENTAGE IN EACH CATEGORY	IL INDEPENDENT PELL APPLICANTS 1981-82	PERCENTAGE IN EACH CATEGORY	IL INDEPENDENT PELL APPLICANTS 1982-83	PERCENTAGE IN EACH CATEGORY
VETERAN	3,979	5	3,198	4	3,481	3
MARRIED NON-VETERAN	18,986	19	15,997	18	25,369	23
UNMARRIED NON-VETERAN OVER 21	51,405	59	49,741	53	61,823	57
UNMARRIED NON-VET UNDER 22 DEPENDENTS	2,865	3	4,588	5	3,961	4
UNMARRIED NON-VET UNDER 22 NO DEPENDENTS	12,495	14	17,171	20	13,449	12
	******	***	******	***	******	***
	87,724	100	86,639	100	108,123	100

TABLE 3 16:47 MONDAY, JUNE 6, 1983
ILLINOIS STATE SCHOLARSHIP COMMISSION ANALYSIS OF
ESTIMATED PELL GRANT PAYMENT BREAKDOWN INTO MAY 23, 1983
ED PROPOSED 84-85 INDEPENDENT STUDENT DEFINITION CATEGORIES

TYPE	ESTIMATED 80-81 PELL GRANT PAYMENT	ESTIMATED 81-82 PELL GRANT PAYMENT	ESTIMATED 82-83 PELL GRANT PAYMENT
VETERAN			
MARRIED NON-VETERAN	$1,962,319	$1,619,778	$2,198,935
UNMARRIED NON-VETERAN OVER 21	$7,507,475	$6,997,535	$12,692,211
UNMARRIED NON-VET UNDER 22 DEPENDENTS	$34,587,614	$36,226,497	$42,218,562
UNMARRIED NON-VET UNDER 22 NO DEPENDENTS	$2,368,788	$3,788,566	$3,159,682
	$9,726,534	$13,689,776	$11,247,982
	**********	**********	**********
	$56,234,929	$63,712,371	$70,787,673

TABLE 4 16:48 MONDAY, JUNE 6, 1983
ILLINOIS STATE SCHOLARSHIP COMMISSION ANALYSIS OF
ESTIMATED PELL GRANT PAYMENT BREAKDOWN INTO MAY 23, 1983
ED PROPOSED 84-85 INDEPENDENT STUDENT DEFINITION CATEGORIES
FOR DEPENDENTS WHO SWITCHED TO INDEPENDENTS IN 81-82 AND 83-84

TYPE	DEPENDENT SWITCHING TO INDEPENDENT 81-82	DEPENDENT 80-81 PELL PAYMENT	INDEPENDENT 81-82 PELL PAYMENT	81-82 INCREASE IN PELL GRANT
VETERAN	194	$95,191	$69,766	$20,616
MARRIED NON-VETERAN	369	$219,485	$386,974	$167,489
UNMARRIED NON-VETERAN OVER 21	1,176	$575,352	$896,347	$320,995
UNMARRIED NON-VET UNDER 22 DEPENDENTS	317	$369,078	$494,611	$84,791
UNMARRIED NON-VET UNDER 22 NO DEPENDENTS	3,446	$1,696,219	$2,978,372	$1,282,153
	*****	**********	**********	**********
	5,824	$2,905,876	$4,780,071	$1,874,196

TYPE	DEPENDENT SWITCHING TO INDEPENDENT 82-83	DEPENDENT 81-82 PELL PAYMENT	INDEPENDENT 82-83 PELL PAYMENT	82-83 INCREASE IN PELL GRANT
VETERAN	74	$39,309	$58,886	$18,778
MARRIED NON-VETERAN	984	$438,814	$671,889	$240,193
UNMARRIED NON-VETERAN OVER 21	1,844	$1,871,298	$1,317,387	$446,088
UNMARRIED NON-VET UNDER 22 DEPENDENTS	410	$284,171	$513,191	$229,020
UNMARRIED NON-VET UNDER 22 NO DEPENDENTS	2,469	$1,313,158	$2,334,693	$1,021,345
	*****	**********	**********	**********
	5,799	$3,138,756	$4,894,369	$1,755,633

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THE ED INDEPENDENT STUDENT DEFINITION
AN ISSC ANALYSIS AND RECOMMENDATION

PREPARED BY

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THE ED INDEPENDENT STUDENT DEFINITION
AN ISSC ANALYSIS AND RECOMMENDATION

Introduction

The independent student definition received a considerable amount of attention during school year 1982-83 when the United States Department of Education proposed that the current definition be changed. The Department favored a definition which required a student to be a certain age before independent self-supporting status could be claimed. The College Scholarship Service, in a recent publication, pointed out, "How to identify and treat the independent or self-supporting students is not a new question, but it has taken on greater seriousness as more and more students apply for financial aid under the independent rubric, thus placing increased pressure on limited resources." The current definition has three provisions that apply to the calendar year in which the student receives financial aid, as well as the preceding calendar year:

1. The student did not live with parents for more than six weeks (42 days).

2. The parents did not claim or will not claim the student as an income tax exemption.

3. The student did not or will not receive more than $750 support from the parents.

Many student financial aid officers and public policy-makers complain that the current definition invites misreporting by students who are presumably making themselves more eligible for student financial aid. The problem has been magnified by the recent reductions in student financial aid funding.

Last year the U.S. Department of Education proposed that students should not be allowed to claim independent, or self-supporting, status until age 22 unless they are orphans or wards of the court. A number of national student financial aid organizations responded that the age-based definition was too restrictive. The problem with the ED proposal is that students under age 22 who are legitimate self-supporting students could be denied an access to a higher education.

On May 23, 1983, the Department of Education in Federal Register, volume 48, number 100, proposed a modification in rule 668.1a (the independent student definition). The proposed independent student definition categorizes students into five groups and requires independent students to meet the current independent student three point criteria for different periods of time.

Purpose

The purpose of this paper is to analyze the impact of the May 23, 1983 Department of Education's proposed independent student definition on Pell Grant applicants in Illinois; identify Illinois Pell Grant applicants who switched their dependency status from dependent to independent in 1981-82 and 1982-83; and analyze the impact their switch in dependency status had on Pell Grant eligibility.

Data

The data used in this analysis consists of 1980-81, 1981-82, and 1982-83 Illinois Pell Grant state agency tapes and 1982-83 Illinois State Grant records.

Methodology

To analyze the impact of the May 23, 1983 Department of Education's proposed independent student definition, independent students in 1980-81, 1981-82, and 1982-83 were separated into the five classifications identified by the federal government. The following grid was developed.

Department of Education's Proposed Independent Student Definition
May 23, 1983

	Veteran	Married	Over 21	Dependents
Veteran	Yes			
Married non-veteran	No	Yes		
Unmarried non-veteran Over 21	No	No	Yes	
Unmarried non-veteran under 22 with dependents	No	No	No	Yes
Unmarried non-veteran under 22 without dependents	No	No	No	No

The Illinois Pell Grant State agency tapes include all of the information needed to identify the five classifications.

The Pell Grant eligibility and payment for each student was estimated by subtracting the Student Aid Index from $1,670. A $1,670 maximum Pell Grant was used for 1980-81, 1981-82, and 1982-83 for comparative purposes. During each of the three years approximately 60 percent of the independent students attended schools which were eligible for state grants. For the students attending schools eligible for the state grant program, the Pell grant budget for institutions with residential facilities was composed of tuition and fees plus room and board charges plus $400. For schools without residential facilities, the Pell grant budget was the $1,100 plus $400 plus the tuition and fee figure. For the remaining 40 percent of the independent students attending institutions not eligible for state grants a $3,600 figure was used for the Pell grant budget.

To estimate the Pell grant payment for the 60 percent of the students attending institutions eligible for state grants, the institutional state grant attrition figure was used. Since the ISSC piggybacks the federal system, this attrition figure should be fairly accurate. For students attending institutions which were not eligible for state grants, a 35 percent payment attrition was used.

To determine the number of students who switched dependency status from dependent in 1981-82, and 1982-83, the dependents from the prior year were matched with independents for 1981-82 and 1982-83. The Pell grants were estimated for the students both as dependents and independents.

Findings

Table 1 indicates that the percentages of independent applicants in Illinois has increased from 39 percent to 41 percent during the last three years. This is 5-6 percent lower than the national figure.

TABLE 1
Illinois Pell Grant Applicants

	80-81		81-82		82-83	
	#	%	#	%	#	%
Independent	87,724	39%	86,639	39%	108,123	41%
Dependent	138,755	61%	132,809	61%	156,642	59%
Total	226,499		219,448		264,765	

Table 2 indicates that the number and percent of unmarried non-veterans under age 22 with no dependents decreased from a high in 1981-82 of 17,121 or 20 percent of the total independent students to 13,469 or 12 percent of the total in 1982-83. The Department's proposed independent student definition would require these students to meet the current three-part independent student definition for two prior years, and the current award year beginning in 1984-85, and three prior years, and the current award year, thereafter. Under the ED proposal 94,654 or 88 percent of the Illinois students who applied as independents for Pell Grants in 1982-83 would not be affected. The remaining 12 percent of the Illinois students who applied as independents for Pell Grants in 1982-83 would be affected by the proposed independent student definition in 1982-83. They would be required to meet the current three-part independent student definition for the first calendar year of the award year and two prior years in 1984-85 and three prior years thereafter.

TABLE 2 16:46 MONDAY, JUNE 6, 1983
ILLINOIS STATE SCHOLARSHIP COMMISSION ANALYSIS OF
NUMBER OF ILLINOIS PELL GRANT APPLICANTS AFFECTED BY
MAY 23, 1983 ED PROPOSED 84-85 INDEPENDENT STUDENT DEFINITION

TYPE	IL INDEPENDENT PELL APPLICANTS 1980-81	PERCENTAGE IN EACH CATEGORY	IL INDEPENDENT PELL APPLICANTS 1981-82	PERCENTAGE IN EACH CATEGORY	IL INDEPENDENT PELL APPLICANTS 1982-83	PERCENTAGE IN EACH CATEGORY
VETERAN	5,979	5	5,192	6	5,481	5
MARRIED NON-VETERAN	16,988	19	15,997	18	23,359	23
UNMARRIED NON-VETERAN OVER 21	51,485	59	49,741	53	61,623	57
UNMARRIED NON-VET UNDER 22 DEPENDENTS	2,865	3	6,588	8	3,961	4
UNMARRIED NON-VET UNDER 22 NO DEPENDENTS	12,494	14	17,121	20	13,469	12
	******	***	******	***	*******	***
	87,724	100	86,639	100	108,123	100

Table 3 provides estimated Pell Grant payment figures for the five independent student classifications. The table indicates that the total Pell Grant payments to independents in Illinois has increased by 26 percent from $56.2 million in 1980-81 to $70.9 million in 1982-83. The total Pell Grant payment to Illinois residents in 1980-81 was $120 million. The $56.2 million dollar estimate which is 47 percent of the total Illinois Pell payment in 1981-82 seems reasonable. In 1982-83 the 13,469 unmarried non-veterans under age 22 with no dependents, 12 percent of the total independents, received $11.2 million or 15.8 percent of the total estimated Pell Grant payment.

Estimating the cost savings of the Department's proposed independent student definition is not possible because we cannot determine from current data the number of independent students which would meet the new prior year requirements or the Pell Grant eligibility for the independent students which would not meet the additional prior year requirements and be forced to apply as dependents.

TABLE 3 16:47 MONDAY, JUNE 6, 1983
ILLINOIS STATE SCHOLARSHIP COMMISSION ANALYSIS OF
ESTIMATED PELL GRANT PAYMENT BROKENDOWN INTO MAY 23, 1983
a> PROPOSED 84-85 INDEPENDENT STUDENT DEFINITION CATEGORIES

TYPE	ESTIMATED 80-81 PELL GRANT PAYMENT	ESTIMATED 81-82 PELL GRANT PAYMENT	ESTIMATED 82-83 PELL GRANT PAYMENT
VETERAN	$1.962.319	$1.610.778	$2.198.839
MARRIED NON-VETERAN	$7.597.479	$6.997.535	$12.692.211
UNMARRIED NON-VETERAN OVER 21	$34.587.418	$30.220.897	$42.218.562
UNMARRIED NON-VET UNDER 22 DEPENDENTS	$2.344.784	$3.788.986	$3.159.682
UNMARRIED NON-VET UNDER 22 NO DEPENDENTS	$9.720.534	$13.089.776	$11.247.982
	$56.234.525	$55.713.571	$70.907.673

Table 4 indicates that in 1981-82 5,824 or 4.2 percent of the 1980-81 students who applied as dependents switched their dependency status to independent. In 1982-83 5,799 or 4.4 percent switched their dependency status from dependent in 1981-82 to independent. The 5,824 students who switched dependency status in 1981-82 increased their estimated Pell Grant payment by 65 percent, from $2.9 to $4.8 million. The 5,799 who switched in 1982-83 increased their estimated Pell Grant payment by 55 percent from $3.1 to $4.9 million. In both 1981-82 and 1982-83 the unmarried non-veterans under age 22 without dependents increased their eligibility by over 75 percent when they switched their dependency status. The 3,464 and 2,465 students who switched dependency status in both 1981-82 and 1982-83 experienced the largest increases in their estimated Pell Grant payment when compared to the other four groups of independent students switching dependency status. The increase in Pell Grant eligibility after the switch from dependents to independents was $1.3 million in 1981-82 and $1.0 million in 1982-83.

TABLE 4 16:48 MONDAY, JUNE 6, 1983
ILLINOIS STATE SCHOLARSHIP COMMISSION ANALYSIS OF
ESTIMATED PELL GRANT PAYMENT BROKENDOWN INTO MAY 23, 1983
b> PROPOSED 84-85 INDEPENDENT STUDENT DEFINITION CATEGORIES
FOR DEPENDENTS WHO SWITCHED TO INDEPENDENTS IN 81-82 AND 83-84

TYPE	DEPENDENT SWITCHING TO INDEPENDENT 81-82	DEPENDENT 80-81 PELL PAYMENT	INDEPENDENT 81-82 PELL PAYMENT	81-82 INCREASE IN PELL GRANT
VETERAN	104	$45.131	$65.766	$20.636
MARRIED NON-VETERAN	965	$219.483	$384.974	$165.459
UNMARRIED NON-VETERAN OVER 21	1.174	$575.352	$896.347	$320.995
UNMARRIED NON-VET UNDER 22 DEPENDENTS	517	$369.670	$494.611	$84.941
UNMARRIED NON-VET UNDER 22 NO DEPENDENTS	3.464	$1.696.219	$2.978.372	$1.282.153
	*****	**********	**********	**********
	5.824	$2.905.876	$4.788.071	$1.874.194

TYPE	DEPENDENT SWITCHING TO INDEPENDENT 82-83	DEPENDENT 81-82 PELL PAYMENT	INDEPENDENT 82-83 PELL PAYMENT	82-83 INCREASE IN PELL GRANT
VETERAN	74	$39.389	$58.886	$18.778
MARRIED NON-VETERAN	984	$438.816	$671.009	$240.193
UNMARRIED NON-VETERAN OVER 21	1.844	$1.071.290	$1.517.387	$446.098
UNMARRIED NON-VET UNDER 22 DEPENDENTS	418	$284.171	$313.191	$29.020
UNMARRIED NON-VET UNDER 22 NO DEPENDENTS	2.469	$1.313.150	$2.334.695	$1.021.545
	*****	**********	**********	**********
	5.799	$3.138.736	$4.894.369	$1.755.633

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Conclusion

The Department of Education's May 23, 1983 proposed independent student definition would require approximately 12 percent of the current independent Illinois Pell Grant applicants (5% of all applicants) to meet the current three-part independent student definition for the first calendar year of the award year and two prior years in 1984-85 and three additional prior years thereafter. Independent students who apply and do not meet the requirements would have a difficult time meeting the current definition for a prior year if they are forced to apply as dependents. In addition, since most high school seniors live at home while attending high school they could not qualify under the Department's proposed definition for at least three years or until age 21. The unmarried non-veterans under age 22 without dependents, who would be most negatively effected by the proposed independent student definition, would be students whose parents relinquish support immediately upon graduation from high school.

In addition to the theoretical arguments against the Department of Education's proposed independent student definition, officials of the two companies that process the bulk of federal aid applications - the American College Testing Program and the College Scholarship Service - have indicated that the proposal would increase from 6 to 30 the number of questions asked on the form to determine whether students are independent. Most critics contend that the proposed definition is too complex because it establishes three different standards for five categories of students.

ISSC Recommendation

Since the primary concern is abuse of the current definition by parents and students who switch dependency status to increase their eligibility for federal student financial aid, the ISSC proposes that unmarried non-veterans under age 22 without dependents be prohibited from switching dependency status from dependent to independent. The current independent student definition should be used for all other students.

As a result, the current financial aid form would not have to be expanded. Marital status, veteran status, the age of the student, and the number of dependents can already be determined from the information gathered on the current forms. Since ED already has a cross-year system, it could be used to check the dependency status of the student in the prior year, and a new system would not have to be developed to identify students who applied as dependents the prior year and independents in the current year.

This analysis indicates that in 1982-83 2,465 independent students who were unmarried non-veterans under age 22 with no dependents applied as dependents the year before in 1981-82. These students increased the estimated Pell Grant payment by approximately $1 million. If the ISSC's proposed inoependent student definition had been into effect in both 1981-82 and 1982-83, the 1982-83 savings would have been approximately $2.3 million. After our proposed independent student definition is in place for three or more years the annual savings should be approximately $3 to $4 million or 3 percent of the total annual Pell Grant payment to Illinois applicants.

The ISSC proposes that unmarried, non-veterans under age 22 without dependents (ED classification #5) be prohibited from switching dependency status. There could be exceptions such as death of parents reported on the Special Condition applications. The current definition should be used for all other independents. This approach would not increase the size of the current financial aid forms, is simpler than the May 23, 1983 Department of Education's definition, affects approximately 3 percent of the total population and should result in savings of $70 to $90 million annually after the first three years. The definition prevents abuse of the current independent student definition to increase eligibility for federal financial aid, while protecting students under age 22 who apply initially as independents. In addition, prohibiting unmarried students without dependents under age 22 from switching to independent status prevents higher income families from transferring family responsibility for paying college costs to the federal government.

STATEMENT OF KEITH JEPSEN, ILLINOIS STATE SCHOLARSHIP COMMISSION

Mr. JEPSEN. Thank you, Congressman Penny.

The testimony that we put together for today, I think, can be best summarized by flipping to the sixth page of the testimony right after that short page where there is a letter addressed to a Mr. Carrigan of the Department of Education, and rather than drag you through the details of the testimony, let me summarize by saying that those four or five points on that letter really are the heart of what the State of Illinois has to offer on this issue.

We, of course, as many of you know, piggyback entirely the Federal student-aid delivery system and therefore, the Federal definition.We find there is no problem with the definition. We also suggest, however, that there is some potential abuse and the way to stop that, in our view, in our study that we will talk about, if you would like, in greater depth, shows that the way to stop that abuse is to put one simple edit procedure in the national processing system, which prevents dependent students from a prior year, from applying in the current year as an independent student. It is what we would call a classic, management-by-exception situation. You don't need a cannon; a simple—maybe even a BB gun—will do it by stopping students who were dependent last year from being considered as independent this year.

The Federal Gov[illegible]ment now has the capacity, as we understand it, in what they ca[illegible] a cross-year edit check system in the national processing contrac[illegible] to look at a student's record as it comes in this year to see what [illegible] looked like last year. We think if all of the students who are a[illegible]tential risk here were to be abusing the system, it would be a 5-[illegible]cent problem. Clearly, not all students that are the target are a[illegible]ng the system.

If, in our jud[illegible]nt, the simple edit that we are suggesting was put into place, [illegible] estimate between $70 million and $90 million in the national Pel[illegible]dget could be saved. So that's basically where we stand. I would [illegible] change the definition, but I would prevent students from changi[illegible] status from one year to the next.

There would be, of course, for some kind of an administrative override in the case of, say, the death of the parents or something extraordinary and that can be accomplished by an already existing mechanic which is called the special condition application, which our system and the national system also uses.

Mr. PENNY. Thank you, Mr. Jepsen.

I had a question, but we are going to hold all questions until everyone has had a chance to testify. So why don't we move to the last panelist, Mr. Gary Smith, deputy for grants, Pennsylvania Higher Education Assistance Authority.

[Prepared statement of Gary Smith follows:]

PREPARED STATEMENT OF GARY D. SMITH, DEPUTY DIRECTOR FOR GRANTS, PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY

Thank you for asking me to appear before this Subcommittee. My name is Gary D. Smith and I am Deputy Director for Grants for the Pennsylvania High Education Assistance Agency (PHEAA). The purposes of my testimony are threefold: (1) to describe our State Grant program's criteria for determining applicant's statuses as independent students, (2) to compare our criteria to those of the Pell Grants program,

and (3) to then demonstrate how applying the two different criteria to financial aid applicants in Pennsylvania produces different results.

You are familiar with the Pell criteria for independent student status, which require an aid applicant to meet three tests of independency: He or she must not have been claimed as an exemption on the parent's income tax form, must not have lived with parents for more than six weeks, and must not have received more than $750 worth of financial support in the year preceding and the year for which aid is expected.

PHEAA's criteria are less stringent in some ways and more stringent in others. We are less stringent in that two categories of applicants are automatically independent. Veterans of the armed services are considered "independent" by virtue of the fact that their families' financial circumstances are not considered in the awards process. Additionally, applicants who have graduated from high school six years or more (typically students who are 24 years of age or older) prior to the academic year for which they are applying for aid are automatically considered independent.

Except for these two categories, we are more stringent in that our maximum amount of financial support from parents is limited to $500, rather than $750. Further, applicants cannot have lived with their parents except for holiday periods, rather than six weeks, unless they can demonstrate that they have paid rent of at least $100 per month while living with the parents. Finally, we are most stringent in that the applicants must demonstrate that they have access to financial resources which are sufficent to meet educational costs and reasonable living expenses while they are in school and during the summer months. (See attached Exhibit One for a complete description of the PHEAA policy.)

For purposes of this testimony, we applied the PHEAA criteria and the Pell program criteria to applicants who filed for a State Grant from PHEAA during the 1982-83 academic year to see how each set of criteria labeled the students. (Because PHEAA is a Multiple Data Entry contractor, applicants for State Grants can simultaneously apply for Pell grants.)

When we examined the results of the comparisons, we found that about 92 percent of all applicants (including veterans and older students) were assigned the same status under both criteria (See attached Table One). Only 8.1 percent of all 222,262 applicants received different classifications and, in total, only 496 more applicants were considered independent by the Pell than by the PHEAA standards.

When veterans were excluded from the analysis, we found that only 7.4 percent, or 15,618, of the students were classified differently. But, 2,932 more applicants were considered independent by the Pell than by the PHEAA criteria. Nearly all (91 percent) of the applicants PHEAA called independent but Pell called dependent were over age 22. Thus, our automatic "six years after high school graduation" criterion has a significant influence on the differences in who is and who is not considered independent (see Table Two).

It is significant that the total difference in numbers of applicants considered independent by the Pell and by the PHEAA criteria was only 2,932 or about 1.4 percent of all applicants. Therefore, although there are some differences in who is classified independent under each set of criteria, the difference in aggregate numbers of applicants so-classified is relatively small.

How applicants are classified makes a difference in how aid is awarded, both in eligibility and amounts. Our analysis showed that over 93 percent of all Pell Grant recipients (including veterans and older students) were classified the same way under both criteria. While a total of 6,800 had different statuses, only 36 more Pell Grants recipients were considered independent by PHEAA standards than by Pell standards. When we excluded veterans from the analysis, only 689 more recipients, or 0.7 percent of all 100,670 recipients, were considered independent by the Pell criteria than by the PHEAA criteria (see Table Three and Four). In terms of Pell Grant program costs, applying our PHEAA standards would have "saved" the program no more than one percent in expenditures on a total expenditure in Pennsylvania of $107.4 million.

I mentioned earlier that except for veterans and students who have been out of high school for six or more years, we require students to demonstrate that they have sufficient resources to support themselves before they will be considered independent. Last year we asked 12,445 students to make this demonstration. Only about 54 percent of those applicants were able to make this demonstration and become independent by PHEAA standards. However, nearly 70 percent of these same carefully examined students were considered independent in the Pell Program. Thus the Pell criteria applied to these students resulted in nearly 16 percent more students being considered independent (see Table Five).

Applying the PHEAA criteria to Pell Grant recipients from this select group of carefully examined students would have reduced Pell Grant program expenditures by less than three percent on a total expenditure of $10.4 million for this special group of students and considerably less than one percent on a total expenditure of $107.4 million for all recipients (see Table Six).

Applying the PHEAA criteria to the applicants and recipients results in, we believe, a more equitable assessment of independent student status than is achieved through the Pell criteria. But the program savings are minimal and may not be worth the increased administrative costs that would be incurred by the Pell Grant program if it implemented our criteria and procedures.

I will note, however, that requiring students to demonstrate sufficient resources before they are considered independent would result in a small reduction in Pell awards to some students from higher-income families. For example, about 15.5 percent of the Pell recipients that PHEAA considered dependent but Pell considered independent came from families with incomes of $30,000 and above (see Table Seven). So the PHEAA criteria does eliminate or reduce Pell awards to some students whose families might be able to help them meet their college expenses. Again, however, the administrative costs of implementing our criteria to achieve this goal may be prohibitive for a nationwide program.

In conclusion, I would summarize our experience as follows:

1. The PHEAA independence criteria, particularly the automatic independence for veterans and older students, have worked well in Pennsylvania.

2. Adoption of the PHEAA criteria for Pell program purposes would not significantly alter the overall percentage of Pell applicants in Pennsylvania who are processed as independent students nor would it significantly reduce Pell expenditures for such students.

3. There would be a slightly different mix of independent students and dependent students under the PHEAA criteria as compared to the Pell criteria.

4. Demonstration of resources sufficient to be considered self-supporting is an effective test of independence but it does carry an administrative cost which may be prohibitive at the national level.

I will be glad to answer any questions you might have.

EXHIBIT 1

PHEAA CRITERIA FOR FINANCIALLY INDEPENDENT STATUS

For the purposes of applying for a State Grant, an applicant will be considered independent if he or she can meet any one of the following criteria:

(1) The applicant is a veteran of the U.S. Armed Services.

(2) The applicant has graduated from high school at least six years or more prior to the academic year for which aid is requested.

(3) The applicant is an orphan, a ward of the court or the whereabouts of the parents are unknown.

(4) The applicant can meet each of the following criteria:

(a) The applicant has not or will not be claimed as an exemption on a parents' or guardians' federal income tax return and has not or will not receive more than a combined total of $500 in financial support from any relative other than a spouse for the year immediately preceding or during the academic year for which aid is requested.

(b) Except for holiday periods the applicant did not and will not reside with any relative other than a spouse during the 12 months immediately preceding or during the academic year for which aid is requested. An exemption to this criteria will be granted when an applicant so residing with a relative other than a spouse has paid and will continue to pay room and board of at least $100 per month during the aforementioned period.

(c) The applicant demonstrates to the satisfaction of the Agency that he or she has access to resources sufficient to meet reasonable living expenses during the academic year and the summer months. A single applicant is required to demonstrate resources of $3,000 plus the costs of tuition and fees.

TABLE 1.—ALL 1982–83 PHEAA APPLICANTS BY DEPENDENCY STATUS, INCLUDING PHEAA TREATMENT OF VETERANS

	Number	Percent
All records	222,262	100.0
Dependent for both	164,207	73.9
Independent for both	40,001	18.0
Same status for both	204,208	91.9
Independent PHEAA but dependent Pell	8,779	3.9
Independent Pell but dependent PHEAA	9,275	4.2
Total PHEAA independent	48,780	21.9
Total Pell independent	49,276	22.2
Total difference	496	.2

TABLE 2.—NONVETERAN 1982–83 PHEAA APPLICANTS BY DEPENDENCY STATUS

	Number	Percent
All records	212,707	100.0
Dependent for both	164,207	77.2
Independent for both	32,882	15.5
Same status for both	197,089	92.7
Independent PHEAA but dependent Pell	6,343	3.0
Independent Pell but dependent PHEAA	9,275	4.4
Total PHEAA independent	39,225	18.4
Total Pell independent	42,157	19.8
Total difference	2,932	1.4

TABLE 3.—ALL 1982–83 PELL GRANT RECIPIENTS AND AVERAGE AWARDS, BY DEPENDENCY STATUS, INCLUDING PHEAA TREATMENT OF VETERANS

	Number	Percent	Amount
All recipients	103,958	100.0	$1,067
Dependent for both	74,892	72.0	979
Independent for both	21,802	21.0	1,301
Same status for both	96,694	93.0	1,052
Independent PHEAA but dependent Pell	3,650	3.5	1,145
Independent Pell but dependent PHEAA	3,164	3.5	1,410
Total PHEAA independent	25,452	24.5	1,279
Total Pell independent	25,416	24.4	1,316
Total difference	36		37

TABLE 4.—NONVETERAN 1982–83 PELL GRANT RECIPIENTS AND AVERAGE AWARDS, BY DEPENDENCY STATUS

	Number	Percent	Amount
All recipients	100,670	100.0	$1,067

TABLE 4.—NONVETERAN 1982–83 PELL GRANT RECIPIENTS AND AVERAGE AWARDS, BY DEPENDENCY STATUS—Continued

	Number	Percent	Amount
Dependent for both	74,892	74.4	1,115
Independent for both	19,239	19.1	1,328
Same status for both	94,131	93.5	1,159
Independent PHEAA but dependent Pell	2,925	2.9	1,176
Independent Pell but dependent PHEAA	3,614	3.6	1,410
Total PHEAA independent	22,164	22.0	1,308
Total Pell independent	22,853	22.7	1,341
Total difference	689	.7	33

TABLE 5.—STATE GRANT APPLICANTS WHO WERE REVIEWED TO DEMONSTRATE THAT THEY MET THE PHEAA 3-PART CRITERIA FOR INDEPENDENT STUDENT STATUS, 1982–83 NONVETERANS

	Number	Percent
All records	12,445	100.0
Dependent for both	3,458	27.8
Independent for both	6,445	51.8
Same status for both	9,903	79.6
Independent PHEAA but dependent Pell	283	2.3
Independent Pell but dependent PHEAA	2,259	18.1
Total PHEAA independent	6,728	54.1
Total Pell independent	8,704	69.9
Total difference	1,976	15.8

TABLE 6.—PELL GRANT RECIPIENTS WHOSE APPLICATIONS WERE REVIEWED TO DEMONSTRATE THAT THEY MET THE PHEAA 3-PART CRITERIA FOR INDEPENDENT STUDENT STATUS, 1982–83 NONVETERANS

	Number	Percent	Amount
All records	7,628	100.0	$1,367
Dependent for both	1,580	20.7	1,183
Independent for both	4,718	61.9	1,395
Same status for both	6,298	82.6	1,342
Independent PHEAA but dependent Pell	150	2.0	1,231
Independent Pell but dependent PHEAA	1,180	15.5	1,520
Total PHEAA independent	4,868	63.8	1,390
Total Pell independent	5,898	77.3	1,420
Total difference	1,030	13.5	30

TABLE 7.—FAMILY INCOMES OF APPLICANTS AND PELL RECIPIENTS CONSIDERED DEPENDENT BY PHEAA BUT INDEPENDENT BY PELL, 1982–83

	All applicants		Pell recipients	
	Number	Percent	Number	Percent
Less than $6,000	250	22.9	198	21.5
$6,000 to $11,999	207	18.9	166	18.1
$12,000 to $17,999	161	14.7	137	14.9
$18,000 to $23,999	156	14.3	130	14.1
$24,000 to $26,999	69	6.3	61	6.6
$27,000 to $29,999	50	4.6	44	4.8
$30,000 and above	200	18.3	183	20.0
Total	1,093	100.0	919	100.0
Income unknown	1,166	51.6	261	22.1

STATEMENT OF GARY SMITH, DEPUTY FOR GRANTS, PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AUTHORITY

Mr. SMITH. Thank you, Mr. Chairman and members of the subcommittee. Thank you for asking me to appear before this subcommittee. My name is Gary Smith and I am deputy director of grants for the Pennsylvania Higher Education Assistance Agency.

The purposes of my testimony this morning are threefold. First to describe our State grant program's criteria for declaring a student independent. Second, to compare those criteria briefly to the Pell criteria and third, to demonstrate how applying the two different criteria to financial aid applicants produces somewhat different results.

You are familiar with the Pell criteria and I will not repeat them here. These criteria are less stringent in some ways and more stringent in other ways. We are less stringent in that we automatically declare as independent two categories of students—veterans of the Armed Services and applicants who are graduated from high school 6 years or more. Typically, these would be students who are at least 24 years of age.

Except for these two categories that are automatically declared independent, we are more stringent than the Pell criteria in several ways. First, our maximum of financial support from parents is limited to $500 rather than the $700 permitted under Pell. Second, applicants cannot have lived with their parents at all with the exception of holiday periods rather than the 6 weeks permitted under the Pell criteria.

Third, and I think most importantly, we are most stringent, in comparison to Pell, in that our applicants must demonstrate that they have access to financial resources to be independent of parental support.

For purposes of this testimony, we first applied the PHEAA criteria and the Pell program criteria to applicants who had filed for aid in Pennsylvania for the 1982–83 academic year. When we examined the results of the comparisons, we found that only about 92 percent—excuse me—we found that 92 percent of all applicants, and this includes both veterans and those applicants who are 24 years of age or older, 92 percent were assigned the same status

under both criteria, whether it was the PHEAA criteria or the Pell criteria. In other words, only 8 percent of approximately 222,000 applicants for aid had their classification changed one way or the other, dependent or independent, as a result of the two different criteria.

When we excluded veterans from the analysis, we found very little change. Only 7.4 percent of the students were classified differently and that 2,932 more applicants were considered independent by Pell than by PHEAA.

We then went through a similar exercise comparing the PHEAA and Pell criteria using Pell grant recipients as our base. Because PHEAA is a multiple data processor, we do have the capability of calculating the Pell eligibility of students. We found little difference in this category.

Our analysis showed that over 93 percent of all Pell recipients in Pennsylvania were classified the same, regardless of whether the Pell independence criteria or the PHEAA independence criteria were used.

I mentioned earlier that except for veterans and students who have been out of high school 6 years or more, we require students to demonstrate that they have resources to support themselves before we will classify them as being dependent for State grant purposes.

Last year we asked approximately 12,500 students to make this demonstration. Keep in mind that this does exclude veterans and the older students. About 54 percent of these 12,500 were classified as independent for PHEAA purposes because they could make this self-sufficiency demonstration.

However, nearly 70 percent of these same students were classified independent under the existing Pell criteria. Thus, the Pell criteria applied to this group results in nearly 16 percent more students being considered independent. Applying the PHEAA criteria to Pell recipients from this select group would have reduced Pell grant program expenditures by less than 3 percent on a total expenditure of $10.4 million in Pennsylvania.

Applying the PHEAA criteria to the applicants and recipients results in, we believe, a more equitable assessment of independent student status than is achieved through the Pell criteria. But the program savings are minimal and may not be worth the increased administrative costs which would be incurred by the Pell grant program if it implemented our criteria and procedures.

I will note, however, that requiring students to demonstrate sufficient resources before they are considered independent would result in a small reduction in Pell awards to some students from higher income families in Pennsylvania.

For example, we found that between 16 and 20 percent of the Pell recipients that PHEAA considered dependent but Pell considered independent came from families with incomes of $30,000 or more, and there is a table which shows that.

In conclusion, I would summarize our experience in Pennsylvania in this way. First, the PHEAA independence criteria, particularly the automatic independence for veterans and older students have worked well in Pennsylvania and they have been in existence for approximately 17 years. Second, adoption of the PHEAA cri-

teria for Pell program purposes would not significantly alter the overall percentage of Pell applicants in Pennsylvania who are processed as independent students; nor would it significantly reduce Pell expenditures for such students.

There would be a slightly different group of independent students under the PHEAA criteria. That is, there would be more veterans and more older students declared independent and somewhat fewer younger students. But overall, the number is not significant.

A demonstration of resources sufficient to be considered self-sufficent is an effective test of independence we feel, but it does carry administrative costs which may be prohibitive at the national level.

I would be glad to answer any questions you may have.

Mr. SIMON. We thank you very much.

My apologies to Mr. Jepsen. I am sorry I was not here for your testimony. If I can first address Mr. Smith here, in your automatic inclusion of veterans, have you made any analysis of whether most veterans would be considered independent anyway?

Mr. SMITH. Mr. Chairman, we have done that recently. We have in earlier years done that and we find that the vast majority would be independent regardless, but we do find that very small group that have lived with their parents for a relatively short period of time, perhaps receiving some support who would not be independent but are under our criteria.

Mr. SIMON. And if you were suddenly a member of this subcommittee and had to vote on changing the definition, what would you do?

Mr. SMITH. Based on our experience in Pennsylvania, Mr. Chairman, I would be reluctant—I share the reluctance of the other panel members to change it significantly. It's important to note that in Pennsylvania our experience of Pell grant recipients being independent is significantly different than the national experience. I think one of the other panelists mentioned a percentage figure of 48 percent being independent nationally. In Pennsylvania, as our tables will show, only about 22 percent of the Pell applicants in Pennsylvania are independent. Obviously, that points to a different mix of students in Pennsylvania than nationally.

I think there is something to be said for requiring a student who cannot meet the age requirement and cannot meet the veteran requirement—I think there is something to be said for requiring a student to demonstrate that he has the wherewithal to truly exist independent of his parents.

The reservation I expressed in my testimony, Mr. Chairman, is the administrative cost of that. We find it costly in Pennsylvania. We find it worthwhile, but we do find it costly.

Mr. SIMON. If I may, Ms. Berkshire, you suggest adding one additional base year. Now, precisely what do you mean? Do you mean that on what they receive from parental support? What are we talking about?

Ms. BERKSHIRE. The suggestion that was provided here was part of the coalition's recommendation in 1982 when they looked at the issue and the addition of a prior year would essentially mean then—of the test that is currently applied to independent students on the Federal form, it asks the question, "Have you been claimed as a dependent on your parents' tax return? Have you lived with

them? Have you gotten money from them?" It asks those three questions for the year of application and 1 prior year. So, if the student is applying in 1983, for the academic year 1983-84, the question is applicable for 1983 and 1982 tax years—calendar year is, I guess, the better phrase.

This would then ask the question we asked for 1981 as well. The student would have to indicate that they were self-sufficient for an additional year beyond what is now required.

Mr. SIMON. So that if a student was dependent in 1981, but independent in 1982, you would say that student could not be classified as an independent student?

Ms. BERKSHIRE. That's what that recommendation would say, yes.

Mr. SIMON. You mentioned one other somewhat minor thing that I think we ought to keep in mind and that is you mentioned that parental rather than family income should be——

Ms. BERKSHIRE. That was specifically for the guaranteed student loan program, sir, yes.

Mr. SIMON. Right.

Ms. BERKSHIRE. That was pointed out by several members of the coalition who work with the Guaranteed Student Loan program very closely in State agencies. It has been an issue with a lot of people since some of the changes were made to the program over the last several years.

Mr. SIMON. And I simply, for the record, want to underscore what is in table I. It has nothing to do with the independent status question, but of those with family income under $6,000, 18 percent of recipients of need-based aid are in independent institutions, 41 percent in public institutions, and 56 percent are in proprietary institutions.

Ms. BERKSHIRE. That's right.

Mr. SIMON. That underscores the importance of keeping those proprietary institutions in mind as we move on to reauthorization.

Mr. Gladieux, just so my lexicon can grow, you talk about the phrase "stopping out." What do you mean precisely by that?

Mr. GLADIEUX. That was a term coined by Clark Kerr years ago for students who take time off of school, whether they go backpacking in the Rockies on to work or to travel and he coined the term "stopping out," a term of art that I should have left out of the written statement. Sorry about that.

Mr. SIMON. All right.

Mr. GLADIEUX. It means that students are stretching out their education today, which complicates the whole issue we are talking about of defining independence.

Mr. SIMON. Mr. Jepsen, and I regret I did not hear your testimony, but I will read it—if suddenly you were to become a member of this subcommittee—and I don't want to wish that upon you—but if that were to be your fate, what modification in definition would you make?

Mr. JEPSEN. None. What I would recommend is a very short version of an already short testimony. That is to say there is one very simple edit that the Federal Government can put in its computer system that will stop the vast majority of any potential abuse and we think, in summary, it's only about 5 percent, at its worst. The edit would be to prevent students who are in last year's system as

a dependent student from being in this year's system as an independent student. It's quite simple.

Mr. SIMON. So that I understand, you would automatically say that a student who was a dependent student the previous year could not become an independent student?

Mr. JEPSEN. Right. It would not go through. The computer would put a message on the student's report—the student aid report—that says, "Last year you were a dependent. What is it you are trying to do this year?" It would stop him or her. There could be, of course, an override procedure that would allow legitimate situations, such as the death of parents or whatever that would be extraordinary of that type and what those students go through, but it would take a second round. All students would be stopped at the door, in other words.

Mr. PACKARD. Would the chairman yield a moment, please?

Mr. SIMON. Yes, I would be pleased to yield.

Mr. PACKARD. Would not that then give inducements for students to enroll or to try to meet requirements to come in as an independent so that they would not have to worry about that qualification a year down the road?

Mr. JEPSEN. It could, Congressman, but we don't think there is any more likelihood of that occurring in the proposal that we are making as a procedure instead of a changing of definition and a changing of all of the forms than there exist now. I mean, that's a potential abuse currently.

Mr. PACKARD. I think the purpose though of these hearings is to try to find ways to avoid and to prevent further abuses.

Mr. JEPSEN. Agreed.

Mr. PACKARD. At least from just a broad perspective it would appear that it would perpetuate and perhaps even induce additional abuses.

Mr. JEPSEN. Well, we considered that in preparing the suggestion for the Department of Education in May and it was our opinion that it would not. Of course, students sign the document with $10,000 or a 5-year sentence hanging over their heads. That, of course, does not prevent some students from making a mistake, but we don't think there is any greater risk.

Mr. SIMON. Mr. Packard, any further questions?

Mr. PACKARD. Yes, thank you, if you are through, Mr. Chairman.

Do any of your statistics indicate how many of your part-time students are being served as independents with aid?

Mr. JEPSEN. No.

Mr. PACKARD. You have no empirical data on that.

Mr. SIMON. It sounds like Dr. Wagner may have some information here.

Dr. WAGNER. Yes.

Mr. SIMON. Why don't you just pull up a chair on the side there.

Dr. WAGNER. These are data from the 1979–80 survey that the Office of Education financed from all undergraduate students, half time or more.

Mr. GLADIEUX. In table I.

Dr. WAGNER. Table I out of the college board report. It refers to the population who potentially would be eligible. There are four columns of figures and if you look to the far right column, "Inde-

pendent Undergraduate," the pool of Federal-aid recipients—these are those that participate in any of the five major Federal-aid programs.

Mr. GLADIEUX. A little over 60 percent are full time.

Dr. WAGNER. Yes a little bit better than 60 percent—about two-thirds of the way down on the right column.

Mr. PACKARD. To your knowledge, has the number of part-time students been increasing that are using the system.

Dr. WAGNER. The number of part-time students has been increasing, whether or not they are receiving more aid. Whether they are increasing their participation in the program. I think, is an open question. This doesn't answer it. I may be able to get some of that information.

Mr. PACKARD. Let me pursue this just a little bit further. The comment was made that sometimes we see them stretching out their education. Being a part-time student normally would be one way of doing this. Does it appear that the independent status would invite a stretching out or is there any data that would indicate that this tends to stimulate a stretching out or a compacting of their education process?

Mr. GLADIEUX. My comment, in general, would be that financial aid facilitates students going full time.

Mr. PACKARD. That's what I would think.

Mr. GLADIEUX. It helps to cover the gap that allows them to attend full time and not have to work on the side——

Mr. PACKARD. And to compact their educational——

Mr. GLADIEUX. In general, I think that is one of the effects of financial aid.

Mr. PACKARD. Then is there a rationale as to why there are more and more coming on as part-time students?

Mr. GLADIEUX. Well, Linda has a comment.

Ms. BERKSHIRE. I don't have the data in front of me to substantiate this, but my guess is that the data would bear out great numbers of those students being older students that have come into the program in the last, what, 6 years, and I remind you that the part-time status of the students can't be part time, by our definition, and receive Federal aid anyway; they have to be at least half time to be eligible for aid under the title IV programs.

I would think that if you looked at the data, especially in the Pell grant recipient data, those students that are half time or more, and if there are increases in those, probably the largest percentage would be in the older group.

Mr. PACKARD. Do your data indicate the average of those on the program? A followup question would be, is that age increasing or decreasing or remaining somewhat stable?

Mr. GLADIEUX. Somewhere between 25 and 28 would be the average——

Dr. WAGNER. The average independent student. What is interesting is there is some indication from even the financial aid service program data monitoring the applicants as well as in the Pell grant program that the average age of independent students has, in fact, been increasing over time. So if one were to track that from a variety of sources, you would find corroboration for that.

Mr. PACKARD. Why do you think that the numbers are increasing?

Dr. WAGNER. I think it is an age phenomenon in the potential student pool. We are drawing from an older student population.

Mr. PACKARD. If we used age, as was recommended in one of your presentations as one of the major criteria of eligibility, what kind of effect would that have with these trends of it becoming an older and older group?

Dr. WAGNER. One of the fundamental conclusions, I think, of the work in the college board report is that if one is looking for a budget dividend from tightening this definition, you are not going to find it—or at the very least it will be very shortlived. The aging of the pool would put most of the people who we are talking about as potential abuse becoming a much smaller portion of the pool of independent students.

Mr. GLADIEUX. If I may amplify on that. We concluded, in answer to your first question about abuse, that the abuse is not massive, and we are inferring in all of these conclusions, but there is a problem; it is not of massive proportions by any means. Following from that, there would not be huge budget savings as a result of a tightening up of the definition. There are going to be more independent students probably under any definition—that's one of the points made very clearly in this report—because of all of these trends that are kind of parallel—more older students, more part-time students and therefore more independent students.

If I can say further, I think I was the only panelist who did urge strongly that there be a legislative change of the Federal definition. It's a delicate issue, but I think we can get a rule that makes distinctions more fairly and more simply and which will reinforce the credibility of the programs.

I remember hearing you speak recently, Mr. Chairman. You were out at the University of Maryland with Bart Giamotti and someone in the audience asked you, "How do we get more political support for these education programs?" You said, "Well, the problem with educators is they come in with reams of data and a long spun-out analysis," and your point was and I think the way you said it was, "Anecdotes sell." Anecdotes can kill, too, is my point, and, sure, we can say that it's all anecdotal evidence, but it's pretty strong anecdotal evidence that some people are abusing the program.

I suggest by a fairly straightforward and verifiable addition to the Federal definition, such as I proposed—there may be other ways to go about it—we could, through reauthorization, win a lot of additional credibility for the programs and maybe ward off other kinds of attacks on the programs. That is the thrust of my conclusion from our analysis.

Mr. PACKARD. Do I have time for a couple of more questions, Mr. Chairman?

Mr. SIMON. Sure.

Mr. PACKARD. In your judgment, and I would just like a yes or no answer perhaps from most of the panelists, do you think that there is a firm enforcement program? You mentioned the $10,000, 5-year penalty and that's a pretty serious penalty. Is there any indication of enforcing to that extent or that kind of enforcement of abuses?

Ms. BERKSHIRE. I don't have any information on that provision of enforcement. I can tell you from both my experience and also from my information from the National Association of Student Financial Aid Administrators that an awful lot of campus aid people are in the process of verifying a good deal of information that comes in on applications for both Federal and State and institutional assistance now. There are substantial numbers of campuses—public, private, proprietary—that verify information on a sample basis and also an awful lot that verify 100 percent of the applications that come in with parental tax forms, or in the case of independent students, perhaps independent student tax forms.

Mr. PACKARD. That response, I think, indicates that there is an effort to determine whether there are abuses or not.

Ms. BERKSHIRE. That's correct.

Mr. PACKARD. The question was, for determined abuses is there enforcement of any kind?

Ms. BERKSHIRE. Enforcement in the respect that you are speaking, in terms of turning students over to the Department of Education or whatever, I have no information on that, no.

Mr. PACKARD. One last question.

Mr. BLAKEY. Mr. Packard, if I could, to the extent that Ms. Berkshire has answered your question, she has probably gone as far as she can. We don't have any evidence at this point in time that as a result of the additional verification that has gone on in the last year and a half that any cases have been referred from the Department of Education to the Department of Justice for prosecution by the U.S. Attorney.

Mr. PACKARD. Thank you.

What are the criteria, as they relate to independent, married students? Is it possible—I presume it is possible—for independent students to be married and perhaps have dependents of their own. Is there a different set of criteria there or eligibility there from a single student's?

Ms. BERKSHIRE. As a result of the Education Amendments of 1980, I believe the definition for married students who are independent was changed to eliminate the criterion that they prove independence from a prior year. In other words, they are only under law required to establish independence for the year in which they apply for aid. That is a difference between the requirements for nonmarried, independent students.

Mr. PACKARD. That would be interesting to follow up with. Would a person becoming married be adequate evidence that they are independent, recognizing that under your suggestion they could not be changed if they were not independent the year before?

I have no further questions, Mr. Chairman. Thank you.

Mr. KOGOVSEK. Mr. Penny, the gentleman from Minnesota.

Mr. PENNY. This may have been covered while I was over in the Ag Subcommittee, but I am curious to have a bit more elaboration on the cost implications of a simple switch to an age criteria. It seems to me that what we are dealing with is a change in student population more so than abuses and yet we are still talking about age criteria as some way to solve the burgeoning costs of the program. Can you share with me some of the dollar implications that would be the result of a 22-year-old definition?

Mr. JEPSEN. That wasn't in our suggestion at all. We have done no modeling or analysis of that question.

Mr. GLADIEUX. Again, I don't think we can expect big budget savings from application of an age criterion such as we suggested or a variation on that.

You're right. This is one of the findings of our study. The growth of the number of independent students is a function of the aging of the whole postsecondary population more than anything else.

Mr. SMITH. I think we did in Pennsylvania have the experience of applying an age criteria and, as I indicated in my comments, when we applied our criteria, including the out of high school 6 years or more, which is essentially 24 years of age, to the Pell population, we did find a significant overall difference in the number of students who became independent. As I said, a slightly different mix, but in terms of viewing that as a means of reducing the percentage of students becoming independent, it does not appear that that would happen.

Mr. PENNY. Mr. Jepsen, what number of students can demonstrate independence in their first year of college?

Mr. JEPSEN. I don't know about first year, Congressman, but in Illinois it's about 41 percent of all—

Mr. PENNY. In their first year?

Mr. JEPSEN. No, I don't know about first year, but our States are little different than the other States. I think Pennsylvania was lower than ours. Nationally, I think it's about 48 percent that are independent and ours is 41.

Mr. PENNY. That's of all students?

Mr. JEPSEN. That's right. Of all students, not of just first-year students.

Mr. PENNY. The reason I ask is because of the suggestion that we not allow a student to declare independence if they were not categorized as such in the previous year and what that would lead us to is locking people into a dependent status if they couldn't in their very first year prove independence.

Mr. JEPSEN. That's right.

Mr. PENNY. So it's that first year that I am trying to get some statistics on. Does anybody have that?

Mr. JEPSEN. I don't have them here, Congressman, but I would be glad to see if we could provide that for you.

Ms. BERKSHIRE. I could also add that the statistics from the Department of Education on the Pell grant program breakdown eligible applicants to the program by independent status by age, not in categories, but by 17, 18, 19, 20, 21. You could probably get a good handle on that by getting some data from them.

As I recall the table—I just looked at it yesterday—the percentage of students in the Pell program, eligible independent applicants that are 17 and 18, which I would consider to be first year in a traditional institution is very small.

Mr. PENNY. Do you want to respond?

Dr. WAGNER. Again, going back to the data from the survey that we used, Federal aid recipients, independent, about 15 percent back in 1979-80 were—well, let's see, I guess I want to say 2 percent 19 years and under. That would be those independent qualifying im-

mediately after leaving high school, presumably. The far right column about halfway down.

Mr. PENNY. I see that.

What about the implications of independent status on Guaranteed Student Loans? Is that a bigger problem than with the grant situation?

Mr. GLADIEUX. I suggested in my testimony that the $30,000 income cap that was supplied in 1981 for GSL eligibility may serve as an additional incentive for students to declare independence and there is some evidence from New York that suggests that that incentive may be pushing a fairly substantial number of students to declare independence for GSL eligibility.

It is the most direct incentive because of the flat income cap. A flat income cap means that almost any student who can declare independence is going to qualify automatically for the GSL subsidy.

Mr. PENNY. Getting back to my first question, if we are not going to achieve savings, is the administrative simplicity of an age definition worth making that change? It seems to me that if that is the only beneficial side effect, that there is no savings to the program by making the change, but it sure makes things administratively a lot easier. Is that worth making the change simply for that reason?

Mr. GLADIEUX. I think it is. I think it has the virtue of simplicity compared to what we have now and for many students—for the students who would be in one category or another automatically by age. Again, I think there are some virtues, symbolically, of tightening up the system in a way that is not going to adversely affect major subgroups who have true need.

We have roughly estimated that the option I presented in my testimony would reduce the number of independent students by 10 to 12 percent. I feel confident that that group would be mainly from middle- and upper-middle-income levels and students who may be abusing the system now.

Mr. PENNY. Mr. Jepsen.

Mr. JEPSEN. Congressman, if I might, the positive effect on public perception of a tightening up, I think, would be much better achieved without cosmetic, definitional change, but rather very public prosecution, if you will, of those who are found abusing the system. That's why the suggestion from the State of Illinois to tighten an edit procedure to locate students who are playing games with the system and then, at the discretion of program administrators at the State or Federal level, seeing that through to the logical conclusion.

Mr. PENNY. I have no further questions.

Mr. KOGOVSEK. Mr. Gunderson.

Mr. GUNDERSON. Thank you, Mr. Chairman. I have been trying also to quickly review all of your testimonies because I was not here earlier. One of the interesting things that comes up, Linda, is in table II in your testimony, whereas you look at the dependent students and independent students, you have a rather significantly larger proportion of minority students as independent.

Ms. BERKSHIRE. That's correct.

Mr. GUNDERSON. Any comments on what that suggests in terms of public policy, how we ought to be responding to that?

Ms. BERKSHIRE. I could make a lot of comments, but I think it is significant. What we tried to do without really drawing any evaluation or analysis out of these tables is to present you with some information that, in a compact form, gave some kind of profile of who the independent students are. It is true that from what we see in all sectors, they are more likely to be minority, and in most sectors they are more likely to be female—that is not indicated on this table here—and the average age is more likely to be on the average of 5 years older than the students in the dependent category. I think, personally, the indication is that we ought to be particularly sensitive to that profile of independent students as you consider the possibilities for any change through reauthorization, keeping that in mind. I think it's a major point and that it behooves caution in the approach to any change in the kinds of students that could be dislocated, disenfranchised or perhaps make ineligible by certain changes in the definition.

Mr. GUNDERSON. Larry, you indicate on page 4 of your statement that a growing number of States and institutions have adopted stricter criteria than the Federal definition. Is there a consensus among those States as to what that stricter criteria is?

Mr. GLADIEUX. No, really they are going in different directions. That's one of the problems that I point out. I urge change in the Federal definition, in part, simply in the interest of consistency because States are moving toward tighter definitions, but they are adopting different criteria. So are a number of institutions. Some are applying a self-sufficiency test, as was described by Mr. Smith for his State of Pennsylvania. Others are adopting age criteria, others are adopting extended tax dependence, such as Washington State and California—those are two examples. So I think consistency is a strong argument for a very careful look at this during reauthorization and perhaps a Federal change.

Mr. GUNDERSON. Do you want to make a comment?

Mr. JEPSEN. Yes, I was going to take the position, of course, that consistency would be achieved if States would quit deviating from the national definition.

Mr. GUNDERSON. Mr. Penny, did you have a comment?

Mr. PENNY. Yes, I was just going to ask whether there was any confidence that if we changed the Federal definition that all of the States would eliminate their variations, and I don't think there is. I think we would be in the same boat that we are right now.

Mr. GUNDERSON. I have no more questions, Mr. Chairman. Thank you.

Ms. BERKSHIRE. Mr. Chairman?

Mr. KOGOVSEK. Yes. Go ahead.

Ms. BERKSHIRE. Congressman, I just wanted to take one second to add a comment to Congressman Penny's concern about the age definition and this has nothing to do with budget issues. It's a point that hasn't been brought up at least on the panel. One of the biggest concerns that many members of our coalition had when the Department of Education promulgated regulations that suggested age criterion as a part of the Federal definition was its effect on graduate students, and that there are large numbers of graduate who begin that postbaccalaureate study at the age of 22, and the policy questions become more murky in terms of whether or not

you want to separate those students and how you deal with them with an age criterion.

That's all that I wanted to add. Thank you.

Mr. KOGOVSEK. Before the chairman adjourns the meeting, are there any questions from staff?

Mr. BLAKEY. If I could, just one, which you can respond to by separating out, if you will, the question of what the definition or what the elements of a definitional change would be and answer this question. Would you agree or disagree that as far as the Pell grant and the GSL independent student definition is concerned, would it or wouldn't it be better to have the definition in the statute as opposed to having it subjected to annual regulation?

Mr. JEPSEN. It depends what's in the statute. I would say the statute.

Ms. BERKSHIRE. I think I will call Frank. I think I would qualify that also, depending on what was to be put in the statute, but given what's come down the pike over the last couple of years, probably a statutory provision would be preferable.

Mr. SMITH. My reaction would be the same.

Mr. GLADIEUX. I would say the statute. I would like to see Congress take it on and deliberate and decide the issue.

Mr. KOGOVSEK. The Chair thanks you for your testimony this morning and the meeting is adjourned.

[Whereupon, at 11:12 a.m., on October 27, 1983, the subcommittee was adjourned.]